STANDARD-SETTING UNDER PRESSURE

TENSIONS IN THE IASB'S DUE PROCESS: A CASE STUDY OF IFRS 17 *INSURANCE CONTRACTS*

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Abstract

This thesis investigates stakeholder tensions in the due process of IFRS 17, focusing on Exposure Draft 3 (ED3), a stage previously unexplored in academic research. Using legitimacy theory and cost-benefit theory as analytical frameworks, the study aims to examine how tensions emerged between the IASB and lobbying stakeholders, among different stakeholder groups, and within preparer organizations. A qualitative case study approach is employed, drawing on multiple data sources, including comment letters submitted in response to ED3, the IASB's Basis for Conclusions (BC), and five semi-structured interviews with different stakeholders. The study particularly focuses on the Contractual Service Margin (CSM), which emerged as a key topic of contention due to its complexity and implications for financial reporting. The findings show that while preparers were the most active stakeholder group, a wide range of stakeholders engaged in lobbying, often using conceptual arguments aligned with the IFRS Conceptual Framework to support their views in comment letters. The analysis finds a particular tension concerning a specific requirement in IFRS 17 which ultimately resulted in an exemption for insurers within the EU. Moreover, the study identifies tensions between actuaries and accountants regarding the accounting principles underlying the standard and internal complexities of implementing IFRS 17 due to differing levels of expertise among professional groups. These insights contribute to a deeper understanding of the political and institutional dynamics shaping international accounting standards.

Keywords: IFRS 17, due process, comment letters, lobbying, insurance accounting

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List of acronyms

BC	*Basis for Conclusions*
CL	*Comment letter*
CSM	*Contractual Service Margin*
DP	*Discussion Paper*
DirPF	*Direct participation features*
ED	*Exposure Draft*
EFRAG	*European Financial Reporting Advisory Group*
GAAP	*Generally Accepted Accounting Principles*
IASB	*International Accounting Standards Board*
IASC	*International Accounting Standards Committee*
IFRS	*International Financial Reporting Standards*
LRC	*Liability for remaining coverage*
OCI	*Other Comprehensive Income*

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1. Introduction

According to Manes (1942), the first form of insurance dates back to 2250 B.C., when merchants could pay extra to cancel debts if cargo was lost at sea. As transatlantic trade grew in the 15th and 16th centuries, marine insurance became more common to guard against piracy, storms, and shipwrecks. The 1666 Great Fire of London led to the creation of fire insurance, while the Industrial Revolution introduced life, accident, and social insurance (Manes, 1942). Historically, insurance has been used to transfer risk from individuals or businesses to insurers, who provide compensation in case a specified event occurs in return for premiums (the price paid). The system relies on broad participation, based on the principle that while all policyholders contribute through premiums, only a small proportion will ultimately request compensation (Manes, 1942).

Typically, higher-risk events come with higher insurance premiums. Although insurers can raise premiums to reflect higher probabilities or larger future claims, there is growing evidence that some are opting to cancel policies entirely. For instance, in Los Angeles, home insurance was withdrawn weeks before the 2025 wildfires that destroyed 16,000 homes (Harris, 2025). The issue has now extended beyond the level of insurance premiums to whether insurance coverage can be provided at all. Supervisory authorities such as the Swedish Financial Supervisory Authority (Finansinspektionen) and the European Securities and Markets Authority (ESMA) oversee the sector to ensure its stability and function (The Swedish Financial Supervisory Authority, 2025). However, although insurance is critical for economic and social development as well as financial stability, relying solely on market forces to regulate the industry may not be sufficient. As climate-change accelerates, the situation will likely become increasingly problematic, threatening the long-term availability of insurance in high-risk areas.

The growing importance of insurance, driven by the rising probability of natural disasters presents challenges for insurers (Insurance Sweden, 2024). Insurers' obligations towards customers (policyholders) are hard to predict accurately due to uncertainty about the likelihood of an event occurring, the timing of it, as well as the potential severity of a damage. This implies that insurers are forced to set premiums without knowing the true costs (claims and expenses) or the final profits until many years later. In other words, insurers know their revenue in advance while their costs remain uncertain until claims are made, unlike many other businesses (Insurance Sweden, 2024). For restaurants, this would be like charging customers for meals before knowing costs of ingredients, labor costs, or when orders will be placed. Insurance contracts vary in duration, ranging from less than a year to decades, exposing insurers to long-term unforeseeable risk.

Stakeholders such as regulators, reinsurers, investors, and lenders rely on accurate financial statements to assess insurers' financial performance and position. Insurance contracts are often referred to as a "black box" by users due to their complexity and the lack of transparency in financial reporting (FASB & IASB, 2010). Concerns about inconsistent reporting led the International Accounting Standards Committee (IASC) to begin working on a standard in 1997, aiming to improve comparability and standardization across firms (IASB, 2013). When the

International Accounting Standards Board (IASB) succeeded the IASC in 2001, it continued the development of an insurance accounting standard but soon concluded that a comprehensive standard could not be finalized before the EU's adoption of IFRS in 2005. As a result, an interim standard (IFRS 4) was issued to enhance disclosure and recognition practices, although still allowing insurers to apply national Generally Accepted Accounting Principles (GAAPs). This led to a variety of reporting methods being applied across firms (IFRS Foundation, 2017). After many years of deliberations, IFRS 17 finally came into force on January 1st, 2023 (IFRS 17).

A key issue within the insurance industry is the recognition and measurement of insurance contracts, as this information is essential for stakeholders to understand the financial position of an insurer's business. The lack of transparency before IFRS 17 and with IFRS 4 was similar to the issues which existed before IFRS 16 *Leases*, when lease obligations were kept off-balance despite representing a financial commitment. Although insurance contracts represent a financial commitment, insurers applying national GAAPs capitalized insurance contracts to varying extents. Likewise, revenue recognition varied under IFRS 4, with some national GAAPs allowing insurers to recognize all premiums received as revenue at contract inception. For a service company, this would be like recognizing full revenue before delivering the service to the customer, a problem which IFRS 15 *Revenue from contracts with customers* addressed. IFRS 17 was issued to resolve these issues by standardizing the measurement and treatment of insurance contracts, requiring full balance sheet capitalization. Similar to IFRS 15 which requires entities to recognize revenue as they fulfill performance obligations to their customers, IFRS 17 requires insurers to recognize insurance revenue over the coverage period to reflect the service provided to policyholders.

Insurance accounting remained complex even after IFRS 17 came into force. The EU adoption process, led by the EU Commission and advised by the European Financial Reporting Advisory Group (EFRAG), highlighted issues such as understanding the standard, collecting the necessary data, and interpreting financial statements. The European Commission found one requirement particularly complex, leading to an exemption applicable to certain contracts for European insurers (EIOPA, 2024). IFRS 17 also conflicted with existing accounting practices in some countries, such as Sweden, where mutual insurance companies faced issues as policyholders also are shareholders. Recognizing all funds payable to policyholders as liabilities as required by IFRS 17 would leave these companies without equity on their balance sheets (Hartmann et al., 2020). In response, the Swedish Financial Supervisory Authority introduced an exemption for unlisted groups, acknowledging the complexities of IFRS 17 (The Swedish Financial Supervisory Authority, 2022).

Stakeholders seek transparency in insurers' financial statements but do not always agree on which information should be presented. Together with the complexity of insurance contracts and their accounting treatment, this presents a reason to the prolonged development of IFRS 17. In light of these challenges, this thesis aims to answer the following research question:

What tensions emerged in the IFRS 17 due process and how were these shaped by the IASB, by lobbyists, and within preparer organizations?

Conflicting interests among stakeholders often showcase as tensions during the standard-setting process (hereafter used interchangeably with "due process"), particularly when stakeholders are given the opportunity to express their views to the standard-setter during various stages. Participating in a due process is a form of lobbying were stakeholders often express opinion out of self-interest. To answer the research question, the study mainly examines formal lobbying through comment letters submitted to the IASB in response to Exposure Draft 3 (ED3) of IFRS 17, which constitutes a part of the total due process. Additional document review is conducted of IASB's Basis for Conclusions (BC) to capture the standard-setter's perspective. To complement, five interviews are conducted to capture additional perspectives, increasing the understanding of insurance contracts and the complexity of insurance accounting.

Previous research has extensively examined lobbying in different standard-setting processes. One key form of lobbying is submitting comment letters to proposals to influence standard-setters during a standard-setting process (Georgiou, 2004), known as formal direct lobbying (Sutton, 1984). Sutton's (1984) rational choice model of lobbying model suggests that stakeholders choose to lobby if the expected benefits outweigh the costs and is often used as a theoretical framework in previous studies. The literature on lobbying has primarily focused on the types and characteristics of lobbying stakeholders, lobbying intensity, and the standard setters' responsiveness to submitters' suggestions. Several studies indicate that financial statement preparers affected by proposed accounting regulations are more likely to submit comment letters, aligning with Sutton's (1984) theory (Arce et al., 2023; Comiran & Graham, 2016; Giner & Arce, 2012; Hewa et al., 2018; Jorissen et al., 2012; Kosi & Reither, 2014; Rey et al., 2020). In contrast, financial statement users submit significantly fewer comment letters (Georgiou, 2010; Jorissen et al., 2012; Kosi & Reither, 2014; Reuter & Messner, 2015; Sutton, 1984; Tutticci et al., 1994). However, Georgiou (2010) argues that lobbying by users is not as limited as it may seem from comment letters, since this stakeholder group often employs less observable lobbying methods which are less costly and believed to be more effective. Moreover, researchers have not only studied stakeholder participation but also the content of formal submissions, identifying different arguments and controversial topics. Researchers argue that lobbyists tend to use more conceptual than economic arguments in comment letters, although to different extents (Giner & Arce, 2012; Jupe, 2000; Reuter & Messner, 2015; Stenka & Taylor 2010; Tutticci et al., 1994). It is argued that arguments aligned with the IFRS Conceptual Framework are perceived as more persuasive by the standard-setter (Reuter & Messner, 2015).

Arce et al. (2023) examine lobbying in the due process of IFRS 17, analyzing comment letters submitted in response to the Discussion Paper (DP) and the first two EDs (ED1 and ED2). Their findings align with prior literature, demonstrating that preparers dominate lobbying efforts. Another study of IFRS 17 by Kosi and Reither (2014) finds that insurance companies (preparers) are most active with varying lobbying intensities between life and non-life insurers depending on how they perceive the impact of proposals. In June 2019, an additional ED to IFRS 17 (ED3) was published and remains unexamined in previous research. Research shows that other lobbyists

groups than preparers tend to submit more comment letters in later stages of a due process (Rey et al., 2020), meaning that ED3 of IFRS 17 constitutes a gap in this field of research. Additionally, few studies have examined comment letters qualitatively to understand their content in depth. Consequently, this study aims to examine the tensions between IASB and stakeholders and among lobbyists in the due process of IFRS 17, focusing mainly on comment letters submitted to ED3.

By employing a case study approach, this study examines the due process of IFRS 17 and associated lobbying efforts, primarily through a qualitative analysis, complemented with descriptive statistics. The descriptive statistics provide context of lobbying activity in response to ED3, outlining the types of stakeholders involved, their geographical distribution, and whether they agreed, remained neutral, or disagreed with the IASB's proposals. This allows for comparisons with the findings of previous research, conducted in contexts of other due processes. Preparers emerged as the most active lobbying stakeholder group and Europe was the continent on which the highest number of lobbyists operate. Further, lobbyists held different positions in their responses, although in some areas more than others, indicating disagreements among them. Building on this context, the analysis of comment letters and BC explores where stakeholder views differed and how the IASB reasoned and justified its decisions. It also highlights the types of arguments employed by lobbyists in their attempts to influence the standard-setter, showing that conceptual arguments aligned with the IFRS Conceptual Framework were most common. The Contractual Service Margin (CSM) is a central focus of this study, as it is a key component introduced by IFRS 17 and emerged as a highly debated topic during various stages of the due process, as highlighted by both the interviews and the document analysis. The analysis identifies concerns raised by lobbyists about implementation costs, operational complexity, limited information usefulness for financial statement users, and even potential competitive harm. Moreover, the interview findings point to a tension not seen in comment letters or BC, where actuaries and accountants specifically disagreed on how prescriptive accounting standards should be in general and on the existence of the CSM. Internal tensions within preparer organizations also emerged due to the complexity of insurance accounting, particularly when implementing IFRS 17, as it requires translating the requirements of the standard to non-specialist departments such as IT.

This thesis contributes to previous research by providing a case study highlighting the due process of IFRS 17 through ED3, a phase not examined previously, by analyzing multiple data sources. Prior studies have mainly examined lobbying quantitatively, describing lobbying activity in several ways. This study examines the content of comment letters and BC in depth, finding tensions both among lobbyists and between the IASB and stakeholders, giving a broader view of this part of the IFRS 17 due process. Additionally, the case study allowed new empirical findings to emerge, showing that lobbyists commented on topics which the IASB did not specifically request feedback on in ED3. A key insight is that one topic was highly debated by lobbyists in response to ED3, even though it had been raised by the IASB in earlier stages of the due process. The IASB seemed to have made its decision, but lobbyists disagreed so strongly that it ultimately resulted in a European carve out from IFRS 17, a rare outcome.

2. Institutional context

2.1 The IASB's due process

The IASB aims to develop accounting standards that provide useful and reliable information to financial statement users, guided by the IFRS Conceptual Framework (IASB, 2018). This framework sets out three fundamental qualitative characteristics which financial information should demonstrate; relevance, materiality, and faithful representation, and four enhancing qualitative characteristics; comparability, verifiability, timeliness, and understandability. The IASB's due process relies on considering views from interested parties, being transparent, and analyzing the effects of proposals on affected parties and providing rationale for decisions. Through a research program, the IASB collects evidence of accounting issues to be addressed, with technical staff identifying and reviewing potential matters. Ultimately, this results in a discussion paper (DP) and a research paper, presenting an overview of the issue, possible solutions, the IASB's viewpoints, and inviting stakeholders to comment by submitting comment letters. After considering feedback, the IASB publishes an exposure draft (ED) containing proposals or amendments to a new standard to request further input. Stakeholders can also communicate via private meetings or calls, and technical staff analyze all feedback to assist the IASB further in its decision-making. The IASB may conduct fieldwork, consult affected parties, and arrange round-meetings and public hearings to gain more insights into specific matters. If it identifies issues not previously addressed, considers that viewpoints have not been presented correctly, or misunderstood issues it may re-expose proposals addressing previous shortcomings. As delaying a project poses costs, the IASB needs to weigh the costs against the urgency of a change. Once satisfied with feedback, it finalizes the standard, allowing board members to submit dissenting opinions (IFRS Foundation, 2020).

2.2 The IFRS 17 due process

IFRS 17 *Insurance Contracts* replaced the interim standard IFRS 4 *Insurance Contracts*, providing principles for recognizing, measuring, presenting, and disclosing insurance contracts. It aims "to ensure that an entity provides relevant information that faithfully represents those [insurance] contracts" (IFRS 17.1), ensuring greater usefulness of financial statement information for users and consistency across jurisdictions (IFRS 17.BC.1). The IASB published a DP in 2007 with preliminary views on accounting for insurance contracts (IASB, 2016), followed by EDs in 2010 and 2013 with proposals for IFRS 17. After finalizing the standard, the IASB published ED3 in 2019 with proposed amendments, receiving 123 comment letters.

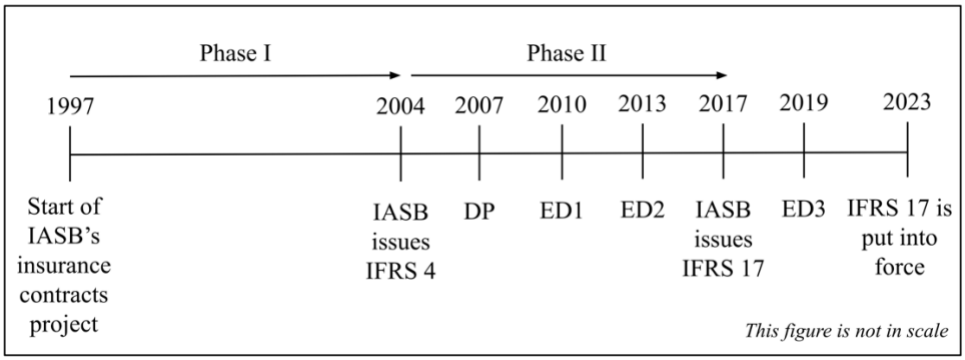


Figure 1. Timeline of insurance contracts project (Source: IASB)

2.3 Types of insurance contracts in IFRS 17

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." (IFRS 17 p. A1090). In other words, insurers, like insurance companies, promise policyholders monetary compensation in case the insured events, such as property damage or death, occurs. IFRS 17 is not targeted towards insurance companies but rather at insurance contracts, meaning that all entities issuing or holding insurance contracts fall within the scope of the standard.

IFRS 17 classifies insurance contracts into the following three types based on their features[1]:

1. **Insurance contracts with direct participation features** (with DirPF). These contracts not only provide compensation if an insured event occurs but also entitle policyholders to a share of the returns from a clearly identified pool of underlying assets. The contractual design ensures that the policyholder's share of returns varies substantially with the performance of those assets, which may be both positive and negative (IFRS 17.B.101).
2. **Insurance contracts without direct participation features** (without DirPF), which are those that do not classify into the previous category (IFRS 17 p. A1091), meaning that the insurer does not promise any compensation other than insurance coverage in case the insured event occurs.
3. **Reinsurance contracts**, where one insurer compensates another for the risk of having to pay out claims arising from underlying contracts (IFRS 17 p. A1092), helping to transfer risk and reduce the financial impact of events such as natural disasters.

In practice, insurance contracts are commonly categorized as either life or non-life insurance contracts. Life contracts can include DirPF, like universal life insurance, which offers investment

[1] IFRS 17 also applies to investment contracts with discretionary participation features, given that the entity also issues insurance contracts (IFRS 17.3) These are not insurance contracts (although similar in nature to insurance contracts) and have therefore been excluded from this thesis, for simplicity.

returns and a death benefit, or not include DirPF, like so-called "term life insurance", which provides coverage for a fixed period and pays a death benefit only if the policyholder dies within that time (Prudential, 2025) . Non-life contracts, such as motor vehicle and home insurance, only provide claims coverage for insured events and thus never include DirPF (Insurance Sweden, 2024).

Type of contract	Investment returns	Risk-bearer	Life or non-life?	Example(s)
Insurance contract with DirPF	Yes	The insurer and the policyholder	Life	Variable universal life insurance
Insurance contract without DirPF	No	The insurer	Both	Life insurance with specified term, Home insurance
Reinsurance contracts	No	The reinsurer	Neither	Proportionate reinsurance

Table 1. The different types of insurance contracts under IFRS 17 (Source: based on IFRS Foundation, 2018a; IFRS 17; Insurance Sweden, 2024; Prudential, 2025)

2.4 Financial statement effects of IFRS 17

2.4.1 The cash flow statement

This picture shows an extract from a cash flow statement under IFRS 17:

MSEK	Note	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from insurance operations			
Premium flows, direct insurance		61,569	56,550
Claims payments, direct insurance		-42,036	-36,308
Reinsurance flows		-3,110	-2,129
Costs of operations		-8,503	-7,807
		7,920	**10,305**

(If, 2023)

It provides an example of how the cash flows arising from insurance operations can be accounted for, showing the premiums received from policyholders and the claims paid to policyholders. Reinsurance flows in this case represents the net of premiums paid for and claims received from reinsurance contracts held. Costs of operations include for example salaries to employees. IFRS 17 does not explicitly require entities to present these line items, however it does require entities to consider **insurance acquisition cash flows**, although not by presenting it explicitly in the cash flow statement (IFRS 17.28A). These cash flows contribute to changes in the insurance liabilities on the balance sheet, as shown in the extract below. They include for example commissions paid to agents and brokers for selling the entity's insurance contracts, costs related to assessing the risk of new policyholders and administrative costs for processing applications and setting up policies in the system.

Cash flows during the period							
Received premiums [1]	61,825		**61,825**	56,743			**56,743**
Paid insurance claims [1]		-41,651	**-41,651**		-36,820		**-36,820**
Paid acquisition cash flows	-1,202		**-1,202**	-1,089			**-1,089**
Total cash flows during the period	**60,623**	**-41,651**	**18,972**	**55,655**	**-36,820**		**18,835**

(If, 2023)

2.4.2 The balance sheet

The carrying value of a group of insurance contracts is calculated as the sum of component (1) and (2) below. IFRS 17 requires entities to group insurance contracts with similar levels of risk and that are managed together into portfolios (IFRS 17.14). Each portfolio is then divided into groups based on expected profitability, with a minimum of one group comprising onerous contracts, one group comprising contracts that have no significant risk of becoming onerous, and one group with the remaining contracts (IFRS 17.16). (See Example 1 in Appendix 2).

1. The **liability for remaining coverage** (LRC), consisting of (IFRS 17.40):
    a. The *fulfilment cash flows*, which is a present value of the expected future cash flows including risk adjustments. These are not actual cash movements but rather an accounting construct used to measure the present value of future obligations. The components of this are:
        i. Estimates of future cash in- and outflows (IFRS 17.33).
        ii. An adjustment for the time value of money and financial risk, determined by discounting expected future cash in- and outflows using a discount rate (IFRS 17.36).
        iii. An adjustment for non-financial risk, not included in the discount rate or the estimates of future cash flows. This represents the compensation that the insurer requires for taking on non-financial risk such as uncertainty in administrative costs and policyholder behavior (IFRS 17.37).
    b. The *contractual service margin (CSM)*, which represents the unearned profit an entity will recognize as it fulfils its obligations to provide insurance coverage to its policyholders (IFRS 17.38). This margin reflects the additional charge made by the entity for providing services beyond bearing risk (IFRS 17.BC.222).
2. The **liability for incurred claims,** consisting of fulfilment cash flows related to past insurance service, i.e. claims that have been incurred but not yet been paid out to the policyholders (IFRS 17.40).

The below figure shows the components of the liability for remaining coverage (LRC). Note that these are not presented as separate line items on the balance sheet:

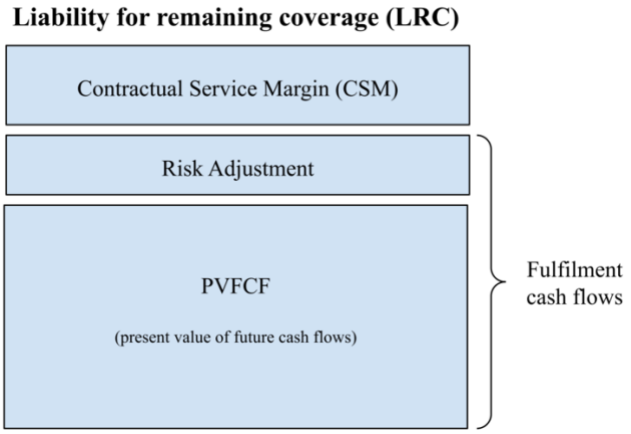


Figure 2. The components of the LRC (Source: The Swedish Society of Actuaries, 2017)

The three components together comprise the LRC, as previously described. The CSM acts to prevent day-one profit, representing the difference between premiums charged and the fulfilment cash flows, which include the present value of future cash flows and a risk adjustment (see Example 1 in Appendix 2).

The following items must be presented separately in the balance sheet (IFRS 17.78):

1. **Portfolios of insurance contracts issued that are assets**, which rarely exist in practice. Individual contracts can be assets if premiums are not paid upfront and the insured event occurs early in the term, resulting in a receivable for the insurer against the policyholder (IFRS Foundation, 2018b; Interviewee 5.2).
2. **Portfolios of insurance contracts issued that are liabilities**, i.e. portfolios where the insurer has an obligation to provide insurance coverage and possibly pay future claims to the policyholder. This applies even to profitable portfolios, as the unearned profit (CSM) is a part of the liability (IFRS Foundation, 2018b; Interviewee 5.2).
3. **Portfolios of reinsurance contracts held that are assets**, which arise when coverage has been paid for by the contract holder but not yet (fully) received. This is common since reinsurers typically require upfront payment.
4. **Portfolios of reinsurance contracts held that are liabilities.** Although rare in practice, these arise when the reinsurance contract holder receives coverage before payment has been made to the reinsurer.

The pictures below show examples of a balance sheet under IFRS 17:

Assets, December 31

MSEK	Note	2023	2022 [1]	January 1, 2022 [1]
Intangible assets				
Goodwill		1,858	1,940	1,903
Other intangible assets		261	294	234
	16	**2,119**	**2,233**	**2,137**
Investment assets				
Land and buildings		5	9	9
Investments in associates	17	49	48	170
Loan to associates		-	-	2
Other financial investment assets	18, 19	120,251	116,223	113,651
Deposits with ceding undertakings		7	7	7
		120,312	**116,288**	**113,839**
Reinsurance assets				
Asset for remaining coverage		403	312	233
Asset for incurred claims		5,848	2,621	2,592
	24	**6,251**	**2,934**	**2,826**
Deferred tax assets	25	**40**	**98**	**54**
Debtors	20	**3,530**	**2,711**	**2,317**
Other assets				
Tangible assets	21	1,967	2,115	2,013
Cash and bank balances		2,182	3,295	5,342
Collaterals and security settlement claims		537	86	94
Net pension assets	26	355	382	-
		5,041	**5,878**	**7,448**
Prepaid expenses and accrued income				
Accrued interest and rental income		1,083	702	355
Other prepaid expenses and accrued income	22	627	502	458
		1,709	**1,204**	**813**
Total assets		**139,001**	**131,345**	**129,435**

[1] Opening and closing balance for 2022 are restated due to the application of IFRS 17 Insurance contracts. Refer to Note 33 for more information.

(If, 2023)

Shareholders' equity, provisions and liabilities, December 31

MSEK	Note	2023	2022 [1]	January 1, 2022 [1]
Shareholders' equity				
Share capital		2,726	2,726	2,726
Statutory reserve		400	400	400
Fair value reserve		-	1,083	7,699
Profit brought forward		27,152	21,706	26,903
Net profit for the period		12,309	13,023	-
		42,587	**38,937**	**37,727**
Subordinated debt	23	**1,496**	**2,494**	**2,490**
Insurance liabilities				
Liability for remaining coverage and acquisition cash flow asset		10,224	9,731	9,206
Liability for incurred claims		68,938	64,702	65,631
	24	**79,162**	**74,433**	**74,837**
Provisions for other risks and charges				
Deferred tax liability	25	3,900	3,405	3,998
Other provisions	26, 27	301	345	364
		4,201	**3,750**	**4,362**
Creditors				
Derivatives	18, 19	643	74	78
Other creditors	28	8,523	9,258	7,936
		9,166	**9,332**	**8,014**
Accrued expenses and prepaid income	29	**2,390**	**2,399**	**2,004**
Total shareholders' equity, provisions and liabilities		**139,001**	**131,345**	**129,435**

[1] Opening and closing balances for 2022 are restated due to the application of IFRS 17 Insurance contracts. Refer to Note 33 for more information.

(If, 2023)

These pictures showcase the most common scenario, that groups of reinsurance contracts held are recognized as assets while groups of insurance contracts issued are liabilities. The descriptions on Page 9 explain the absence of assets of insurance contracts issued and liabilities of reinsurance contracts held.

2.4.3 The income statement

IFRS 17 requires the following two items to be recognized in the income statement:

1. **Insurance service result**, which is the net of insurance revenue (premiums) and insurance service expenses (IFRS 17.80; IFRS 17.B120). Insurance revenue is "unlocked" from the LRC in the balance sheet, which consists of the CSM and the fulfilment cash flows, as the entity provides insurance contract services (IFRS 17.41). Insurance service expenses include 1) incurred claims paid and other expenses such as administrative expenses, 2) amortization on insurance acquisition cash flows, which are capitalized on the balance sheet, 3) changes in already incurred claims, and 4) changes related to future service, i.e. losses on onerous insurance contracts and loss reversals (IFRS 17.103).

2. **Insurance finance income or expenses**. These are changes in the carrying value of insurance contracts arising from financial factors like the time value of money and financial risk such as interest rate changes (IFRS 17.87).

The picture below shows an example of these two items in an income statement:

NOK million	Note	2024	2023
Income from unit linked	38	2,265	2,008
Income from asset management	14	3,420	3,108
Income from banking activities	15	4,285	3,069
Other income	16	370	413
Operating income excl. insurance		**10,340**	**8,597**
Insurance revenue	17	10,282	9,147
Insurance service expenses	17	-7,925	-7,701
Net expenses from reinsurance contracts held	17	17	19
Net insurance service result		**2,374**	**1,465**
Operating income incl. insurance result		**12,714**	**10,062**
Operating expenses	18,19,20,21	-5,234	-5,147
Interest expenses banking activities	22	-3,052	-2,096
Other expenses	23	-150	-166
Total expenses		**-8,436**	**-7,409**
Operating profit		**4,279**	**2,653**
Profit from investment in associates and joint ventures	29	428	-431
Net income on financial and property investments	24	74,837	56,108
Net change in investment contract liabilities	24	-57,458	-38,409
Finance expenses from insurance contracts issued	24	-14,096	-15,272
Interest expenses securities issued and other interest expenses	25	-922	-889
Net finance result		**2,789**	**1,106**
Profit before amortisation		**7,067**	**3,759**
Amortisation of intangible assets	27	-424	-466
Profit before income tax		**6,643**	**3,294**
Tax expenses	26	-1,121	84
Profit for the year		**5,522**	**3,377**
Profit/loss for the period attributable to:			
Share of profit for the period - shareholders		5,494	3,350
Share of profit for the period - hybrid capital investors		30	27
Share of profit for the period - non-controlling interests		-1	
Total		**5,522**	**3,377**

(Storebrand, 2024)

3. Theory

This chapter presents the study's theoretical framework, followed by an overview of the relevant literature on standard-setting processes and lobbying.

3.1 Theoretical framework

To analyze the arguments used by lobbying stakeholders in their attempts to influence the IASB's decision-making, this study employs a theoretical framework based on cost-benefit theory and legitimacy theory. Applying these theories allows for a deeper understanding of the arguments employed by lobbyists and the considerations made by the standard-setter during the due process.

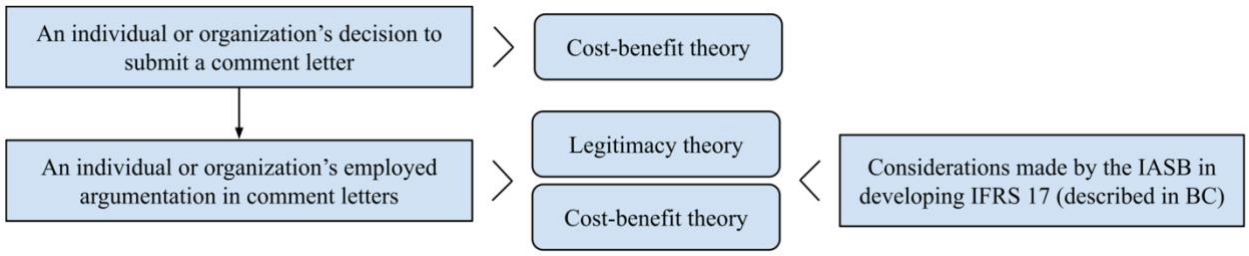


Figure 3. Theoretical framework

3.1.1 Cost-benefit theory

Cost-benefit theory generally builds on weighing the potential costs of an action against its benefits to determine whether to proceed with it (Schipper, 2010). On one hand, Sutton (1984) presents this theory from a lobbyist's perspective while on the other hand, Schipper (2010) presents it from a standard-setter's perspective.

Sutton's (1984) rational choice model of lobbying helps explain why some stakeholders decide to participate in a due process through lobbying while others do not. It argues that lobbyists weigh the costs of lobbying against the potential benefits of doing so when deciding whether to participate. Put differently, lobbyists weigh the costs of lobbying against the benefits of potentially affecting a standard favoringly and reducing costs resulting from implementation and compliance. Depending on the stakeholder, the perceived costs and benefits will differ as stakeholders are affected by accounting standards in different ways. Sutton's (1984) theory can help to explain why some stakeholders lobby to a greater extent than others, applicable to some of this study's findings. Additionally, the theory facilitates an understanding of the cost-benefit analysis underlying their lobbying decision. The aim of this study is to examine in depth what stakeholders lobby for, the conflicting interests revealed in comment letters as well as how submitters of comment letters employ different types of arguments in their attempt to persuade the IASB. Comment letters reflect cost-benefit considerations as stakeholders employ arguments about a standard's implications in attempts to influence the standard-setter to design it in a way that maximizes their benefits while

minimizing costs. For this reason, Sutton's (1984) cost-benefit theory is relevant in examining these aspects.

From another perspective, the standard-setter engages in a form of cost-benefit analysis when determining whether to issue a new accounting standard and how to design it. Schipper (2010) theorizes the cost-benefit analysis performed by standard-setters as fundamentally distinct from traditional economic models. Conventional cost-benefit analyses often quantitatively assess the cost and benefits of a project while standards-setters tend to rely on qualitative judgments as the improvement of financial information for users is hard to quantify. They consider the usefulness of information for financial statement users as benefits, weighing these against the incremental costs for preparers of complying with a new standard, the incremental costs of assurance for auditors, and the costs of using the new information for financial statement users (Schipper, 2010). Standard-setters further aim to avoid favoring one stakeholder group over another although the purpose of a standard is to provide useful information for users. To assess potential risks, the IASB collects feedback from stakeholders, for instance through comment letters. Using the collected information, they perform a cost-benefit assessment before deciding to make changes and pursue with the standard (Schipper, 2010). This theory can facilitate an understanding of the cost-benefit analysis performed by the IASB in developing IFRS 17 and help explain the tensions between different stakeholder groups and the IASB during the due process. For example, a proposal that reduces comparability may imply a higher cost for users by making the information harder and more time-consuming to understand, according to the theory.

3.1.2 Legitimacy theory

Legitimacy is a core concern within institutional theory, building on an understanding of how organizations are shaped by the environment in which they operate (Meyer & Rowan, 1977). The theory argues that the way actors of society can and should act is guided by institutions, which are social structures such as rules, norms and shared ideas of social reality (March & Olsen, 2011). Over time, these structures become institutionalized, i.e. taken for granted (Meyer & Rowan, 1977). They function as widely accepted myths, and organizations therefore gain legitimacy by acting in line with them. According to March & Olsen (2011), legitimacy is gained when actors align their behavior with "the logic of appropriateness", meaning what is considered appropriate behavior in a certain situation, rather than only acting out of self-interest or based on calculated consequences. Political and organizational actors are often judged by whether their behavior is considered appropriate within a given context, in addition to being judged by the outcomes they achieve (March & Olsen, 2011). Legitimacy is thus essential for sustained support from stakeholders, which is a prerequisite for the survival of organizations (Meyer & Rowan, 1977). This applies to individuals as well, who seek to act in accordance with what is deemed appropriate in a given situation to be perceived as legitimate by others (March & Olsen, 2011).

It is reasonable to assume that the attempt of persuading an individual or an organization requires that one's arguments are perceived as legitimate to consider them. As highlighted by previous

research, the use of conceptual arguments by lobbyists is believed to be more effective in attempts to persuade a standard-setter since these tend to align with its Conceptual Framework (Tutticci et al., 1994). Consequently, employing conceptual arguments can be understood as a legitimizing strategy employed by lobbyists to enhance their credibility in the eyes of the standard-setter, thereby increasing their chances of influencing its decisions. The standard-setter must also maintain legitimacy to ensure sustained support from stakeholders, suggesting that the considerations it makes throughout a due process can be interpreted through the lens of this theory. Legitimacy theory thus provides explanatory value to this study by supplying a theoretical lens through which the empirical material can be viewed and more deeply understood.

3.2 Literature review

The due process of accounting standards involves a range of stakeholders beyond the standard-setter itself. Hjelström (2005) highlights that standard-setting is shaped through ongoing interactions between the standard-setter and various stakeholders. The author's analysis of the IAS 12 due process shows that outcomes are influenced by stakeholders outside the International Accounting Standards Committee (IASC), the IASB's predecessor. Consistent with findings from prior research, Hjelström (2005) argues that accounting standard-setting is a political process involving negotiations, lobbying efforts, and conflicts of interest. This process is influenced by deal-breakers within and outside the decision-making body such as board members and major countries, but also by deal-makers or negotiators such as IASC staff who help solve conflicts and reach agreement. Hjelström (2005) further frames the process as a learning and executive process. Stakeholder input, such as contributions from educators, practitioners, and innovators, supports the learning process, while formal procedures, document drafting, and oversight shape the executive function. These three interconnected processes indicate that although the standard-setter plays a central role, other stakeholders exert significant indirect influence through their expertise, negotiation, and feedback. Unlike Hjelström's (2005) extensive study, earlier research on influences in accounting standard-setting mainly focuses on different forms of lobbying. Some studies explore the types and characteristics of lobbying stakeholders and the timing of their efforts, while others examine lobbyists' motivations and the arguments used in attempts to influence the process. These studies are presented in more detail in the following sections.

3.2.1 The concept of lobbying

Sutton (1984) defines lobbying as "The efforts of individuals and organizations to promote or obstruct new regulations, whatever the source …". The author argues that lobbying can be equated with voting and applies Downs's (1957) voting model in the context of lobbying to develop a rational choice model explaining lobbying behavior. It assumes that rational individuals will lobby towards accounting standard-setters only if the expected benefits outweigh the associated costs. Sutton (1984) defines the cost of lobbying as "the 'effort' made by the 'interested party'", which can be interpreted as the opportunity cost of lobbying, i.e. the cost of the time spent lobbying that could otherwise be allocated elsewhere. Sutton's (1984) suggestion that stakeholders perform a

cost-benefit analysis in their lobbying decision is empirically supported by Georgiou (2010), who performs a questionnaire survey and finds that the primary reason why investment firms refrain from lobbying in the IASB's due process process is the high cost of participation.

Lobbying can take various forms. Sutton (1984) examines *direct* and *indirect* lobbying methods, analyzing the differences in their perceived effectiveness. Direct lobbying involves direct communication between stakeholders and standard-setters, for example through private meetings or written submissions like comment letters (Georgiou, 2004; Sutton, 1984). In contrast, indirect lobbying implies that stakeholders try to influence standard-setters through intermediaries such as regulators or policymakers who regulate or oversee standard-setters (Georgiou, 2004; Sutton, 1984). Further, lobbying can be either *formal* or *informal*, determined by the channel through which it occurs (Stenka & Taylor, 2010; Tutticci et al., 1994). An example of formal lobbying is submitting comment letters to publicly available exposure drafts (EDs) and an example of informal lobbying is attending private meetings with standard-setters like the IASB (Jorissen et al., 2012; Kosi & Reither, 2014; Stenka & Taylor, 2010; Tutticci et al., 1994).

Most previous research on lobbying in accounting standard-setting processes relies on comment letters as the primary data source (Georgiou, 2004). The limited amount of publicly available documentation from standard-setters like the IASB, along with the lengthy nature of due processes, makes alternative methods difficult to examine (Hjelström, 2005). Hjelström (2005) overcomes data limitations in accounting standard-setting by conducting interviews with IASC members and accessing internal IASC files related to IAS 12. This approach reveals that influence extends beyond formal lobbyists to informal actors such as accounting experts, regulators, and representatives from countries with strong accounting traditions. These individuals shape standards through private discussions, advisory roles, and behind-the-scenes negotiations rather than public comment letters. Other previous research widely uses comment letters as they are formal and publicly accessible (Jorissen et al., 2012). However, this does not necessarily mean that comment letters are the most important or influential form of lobbying but can rather be seen as a limitation in the field of previous research. Despite these constraints, some studies explore other lobbying methods. Georgiou (2004), for instance, studies informal lobbying through a questionnaire survey and finds a strong association between informal efforts and the submission of comment letters, suggesting that comment letters may serve as a proxy for broader lobbying activity. However, Georgiou (2010) highlights that financial statement users, who rarely submit comment letters, still engage in lobbying, challenging the assumption that comment letters act as a good proxy for other lobbying methods.

3.2.2 Costs and benefits of influencing a standard-setting process

To better understand lobbying costs, Jorissen et al. (2013) develop a proxy and hypothesize that stakeholders' familiarity with English, IFRS principles, and the IFRS standard-setting process influences these costs. Other researchers expand the cost-benefit perspective and note that potential indirect costs for stakeholders who refrain from lobbying should also be considered. Comiran and

Graham (2016), who analyze comment letters in response to proposed lease accounting changes by the FASB (the U.S. Financial Accounting Standards Board) and the IASB, find that stakeholders emphasize high implementation costs, potential increases in the cost of capital, and administrative burdens as reasons to participate in lobbying. By attempting to influence standard-setters, lobbyists can possibly reduce these costs, motivating their decision to engage. Comiran and Graham's (2016) findings indicate that stakeholders who will be affected by proposed changes in a negative way are the most active lobbyists.

The IASB also conducts cost-benefit analyses throughout due process process. According to Schipper (2010), the IFRS Conceptual Framework incorporates such considerations, however quantifying the benefits of a standard remains difficult. As a result, the IASB relies mainly on qualitative assessments of alignment with the Conceptual Framework. The IASB's development costs are treated as sunk, but potential costs for hiring staff and opportunity costs for allocating time is considered. Additionally, incremental costs incurred by preparers from applying a new standard and those incurred by users from using the information are considered. Unlike traditional monetary cost-benefit analyses, the IASB focuses on whether the usefulness of information justifies its costs, although the costs are not necessarily borne by those who benefit from the information (Schipper, 2010).

3.2.3 Timing of lobbying in a standard-setting process

Prior research on the timing of lobbying provides insight into when stakeholders are most likely to engage in a due process. Sutton (1984) argues that lobbying is most effective and less costly in the early stages, when standard-setters are indecisive. Empirical findings, however, are mixed. Giner and Arce (2012) find that preparers were more active during the discussion paper (DP) stage of IFRS 2, submitting twice as many letters as during the ED stage, which supports Sutton's (1984) theory. In contrast, other stakeholder groups were more active in the later stages, challenging that view. Similar trends are reported in other studies. Rey et al. (2020) find that most lobbying occurred in later stages of the IFRS 16 due process, possibly because the DP focused only on lessee accounting, delaying lessor (preparer) engagement. Jorissen et al. (2012) and Georgiou (2004) similarly find that preparers tend to lobby later, while the accounting profession, academics, and users are more active earlier. These findings suggest that the timing of lobbying varies across stakeholder groups, and although the logic of Sutton's (1984) cost-benefit theory explains some patterns, it does not apply in all cases.

3.2.4 Characteristics of lobbying stakeholders and standard-setter responsiveness

Research examining comment letters across various standard-setting processes consistently finds that preparers are the most active lobbying stakeholder group (Arce et al., 2023; Comiran & Graham, 2016; Giner & Arce, 2012; Hewa et al., 2018; Jorissen et al., 2012; Kosi & Reither, 2014; Rey et al., 2020; Ryan et al., 2000). Reuter and Messner (2015), however, find that the accounting profession submit slightly more comment letters than preparers, although the difference is not statistically significant. Worth noting is that their study focuses on integrated reporting, which

emphasizes qualitative disclosures rather than financial accounting standards. It also examines lobbying in the early stages of the process, where earlier research suggests the accounting profession tends to be more active (Jorissen et al. 2012).

Sutton (1984), also finds, in a study of lobbying in U.K. and U.S. standard-setting, that preparers are the most active lobbying stakeholder group. The author attributes this to their greater financial resources and higher expected benefits from influencing standards, which often outweigh the costs. Jorissen et al. (2012) also find that preparers are the most active stakeholders overall, although their participation is concentrated in later stages, particularly during the ED phase. In contrast, the accounting profession, users, and standard-setters tend to engage earlier, especially at the DP stage. Financial statement users tend to submit fewer comment letters (Georgiou 2010; Jorissen et al. 2012; Kosi and Reither 2014; Reuter and Messner 2015; Sutton 1984; Tutticci et al. 1994). However, Georgiou (2010) argues that users lobby more frequently than comment letters might indicate, as they often rely on alternative lobbying methods. He suggests they may refrain from formal lobbying due to high costs or the belief that their views are already represented by others. Weetman et al. (1996) provide another explanation and suggest that informal meetings are more productive and are therefore utilized to a greater extent by users.

Building on this, several studies have explored the characteristics of lobbying stakeholders beyond solely classifying them into groups. One area of focus is geographic distribution. Arce et al. (2023) find that European stakeholders were the most active in submitting comment letters during the early stages of the IFRS 17 due process. Larson and Herz (2013) provide further detail, showing that the most active lobbyists tend to originate from EU countries, G4+1 member countries (Australia, Canada, New Zealand, UK, and USA), IASB donor countries, and those with well-developed equity markets. Jorissen et al. (2013) add that geographic diversity among lobbying is influenced by institutional factors such as national regulations and structural differences, as well as by participation costs. They use stakeholders' familiarity with English, IFRS principles, and the standard-setting process as a proxy for these participation costs. Their findings show that stakeholders from non-English-speaking countries are less likely to engage in lobbying, highlighting how both institutional and language barriers shape the geographical diversity in lobbying activity.

Another important characteristic studied is the size of lobbying stakeholders. Reuter and Messner (2015) and Georgiou (2005) find that larger firms are more likely to lobby than smaller ones. This supports Sutton’s (1984) theory that wealthier stakeholders face lower relative lobbying costs and have more to gain. Similarly, Kosi and Reither (2014) and Watts and Zimmermann (1978) find a positive relationship between firm size and lobbying activity. Kosi and Reither (2014) also identify profitability as a contributing factor, further supporting Sutton's (1984) idea that financially stronger firms are more likely to engage in lobbying activity.

Rey et al. (2020) extend the analysis of lobbying by examining the characteristics of a "winning" lobbyist, defined as one who manages to influence the IASB’s due process. This involves assessing the IASB’s responsiveness to lobbying efforts. Their findings suggest that successful lobbyists

often share nationality with an IASB member, provide financial support to the IASB, and come from countries with strong legal frameworks and strict enforcement systems of public governance. Similarly, Arce et al. (2023), Giner and Arce (2012), and Hewa et al. (2018) examine the IASB's responsiveness to lobbying activity, although in different due processes. They consistently find that the IASB aligned its decisions with the majority of lobbyists' opinions without favoring any specific stakeholder groups, which suggests that they kept their legitimacy as an institution. Hewa et al. (2018) further argue that the IASB maintains legitimacy by meeting stakeholder expectations of independence by avoiding excessive influence from any particular group.

3.2.5 Arguments used by stakeholders to influence standard-setting

Regulatory bodies like the IASB constantly attempt to persuade external stakeholders in regulatory documents such as Basis for Conclusions (BC), DPs and EDs. They emphasize improvements to accounting principles for financial statement users when justifying proposed changes and portray themselves as acting upon external demands.

Stakeholders beyond the standard-setter also use persuasion to influence due processes. Tutticci et al. (1994) argue that comment letters serve not only as a means of casting a vote but also as a tool for persuasion. Lobbyists use rhetorical strategies to promote their views and influence standard-setters. Several studies find that lobbyists rely more on conceptual arguments than solely economic-based ones in comment letters, but to different extents (Giner & Arce, 2012; Jupe, 2000; Reuter & Messner, 2015; Ryan et al., 2000; Stenka & Taylor, 2010; Tutticci et al., 1994). Economic arguments are frequently used in combination with conceptual ones as the latter are believed to be more persuasive due to their alignment with standard-setters' Conceptual Frameworks (Reuter & Messner, 2015; Tutticci et al., 1994). Reuter and Messner (2015) suggest that the limited use of economic arguments may be due to their study focusing on early standard-setting stages, when preparers are uncertain about potential economic impacts.

Multiple studies find that lobbyists typically use more arguments when disagreeing with the standard-setter (Giner & Arce, 2012; Reuter & Messner, 2015; Ryan et al., 2000; Tutticci et al., 1994). Research further highlights differences in how agreement and disagreement with standard-setters' proposals is justified. Reuter and Messner (2015) find that agreeing lobbyists typically support their position with arguments in general. Hoffmann and Zülch (2014) note that conceptual arguments are more common among supportive lobbyists, while Jupe (2000) and Tutticci et al. (1994) observe that conceptual and economic arguments are frequently combined. Tutticci et al. (1994) also find that lobbyists who offer no justification for their stance tend to simply agree with proposals. In contrast, Ryan et al. (2000) report that many Australian lobbyists provide no arguments at all. Hoffmann and Zülch (2014) additionally find that when disagreeing with proposals, lobbyists often use self-referential arguments, including those emphasizing economic consequences. They further find that neutral positions are typically supported by a mix of conceptual and self-referential arguments.

Comment letters also reveal differences in arguments employed across stakeholder groups. Stenka and Taylor (2010) find that both corporate and non-corporate institutions use conceptual arguments, but that only corporates rely on economic consequences-based reasoning. Ryan et al. (2000) find that preparers are more likely to use economic consequences than other groups, while Jupe (2000) observes that financial statement users avoid these arguments entirely. Additional to other researchers' findings, Weetman et al. (1996) find that some preparers adopt user-based arguments to support their views, likely as a strategy to legitimize their position and convince standard-setters.

3.2.6 Standard-setting processes in the context of insurance contracts

To our knowledge, only two prior studies have examined lobbying in the due process of IFRS 17. Arce et al. (2023) apply legitimacy theory to investigate whether the IASB uses the standard-setting process of IFRS 17 as a legitimizing mechanism. The authors perform a content analysis of comment letters submitted in response to the DP from 2007 and the EDs from 2010 and 2013. Their focus is mainly on three issues related to IFRS 17; 1) whether profit should be recognized at inception or over the coverage period, 2) whether one combined margin or two separate margins should be used to account for risk, and 3) whether volatility arising from for example fluctuations in discount rates should be presented in profit and loss or in other comprehensive income (OCI). Their findings indicate that the IASB aligned the final standard with the majority of the stakeholders' opinions, possibly as a strategy to maintain its legitimacy.

Another study by Kosi and Reither (2014) examines lobbying behavior during the replacement process of IFRS 4, i.e. the development process of IFRS 17. Based on comment letters to the 2007 DP and 2010 ED, they examine lobbying decisions and intensity. As expected, insurance companies, the most directly affected stakeholders, were the most active lobbyists. Although IFRS 17 applies to all issuers of insurance contracts, insurance companies depend on the insurance business model more heavily than banks and other insurers. The study also highlights differences in lobbying behavior between life and non-life insurers. Non-life insurers lobbied more actively during the earlier stages, responding to both the DP and ED1, while life insurers were less engaged at this point. This may be due to the DP excluding changes to transitional provisions, which are more relevant to life insurers. However, in response to the 2010 ED, life insurers lobbied more actively, likely due to the significant impact of proposed changes on long-term contracts, financial statements, and profit recognition.

4. Methodology

This chapter outlines the methodology of this study. It begins by presenting the research design, including the case study approach and the application of the study's theoretical framework, followed by a description of the data collection and sample selection processes. The subsequent section explains how the data were analyzed. The chapter concludes with a discussion of the actions taken to ensure data quality, and the ethical considerations made.

4.1 Research design

4.1.1 Case study

This study provides a detailed analysis of IFRS 17 and the complexity and controversies it brings. To gain a deeper understanding of the standard, a single case study is employed, meaning that the standard is examined and analyzed in depth (Bell et al., 2019). More specifically, the conducted study is an *intrinsic case study* aiming to gain knowledge and understanding of the specifics of the case rather than attempting to understand other cases or broader issues (Stake, 1995). The goal is thus not to generalize the findings but rather to explore the unique aspects of IFRS 17 and gain a comprehensive understanding of its complexity. A key feature of case study research is the use of multiple data sources in attempting to understand a phenomenon on a deeper level (Bell et al., 2019). Several documents were used as the primary data source, described in more depth later. In addition, five interviews were conducted with the purpose of gaining an understanding of the IFRS due process from different stakeholder perspectives.

4.1.2 Application of theoretical framework

Two theories with different purposes guided the analysis if this study's empirical findings. Legitimacy theory was applied to understand the strategies behind lobbyists' argumentation in comment letters and the IASB's reasoning reflected in Basis for Conclusions (BC). Cost-benefit theory was applied to analyze the motives behind lobbyists' decision to participate and the considerations made by the IASB as the standard-setter of IFRS 17. Sutton's (1984) cost-benefit theory of lobbying from the lobbyists' perspective was used to explain why some stakeholders lobby more actively than others and to interpret the cost-benefit considerations made by lobbyists when deciding to engage. Additionally, the analysis draws on Schipper (2010), providing another perspective of cost-benefit analysis from the standard-setter's perspective. The IASB must balance the need to provide capital providers with relevant information about an entity's financial performance and position with the incremental costs for preparers, auditors, and users. Schipper's (2010) theory was mainly used to analyze the findings from BC while Sutton's (1984) theory was used to analyze the findings from both BC and comment letters.

4.2 Data collection

4.2.1 Document analysis

This study primarily relies on documents as its data source. The documents analyzed include comment letters submitted to the IASB in response to Exposure Draft 3 (ED3) of IFRS 17, along with the IFRS 17 standard, the IASB's BC, and ED3 itself. The comment letters and ED3 were retrieved from the official IFRS website where they are publicly available. The annotated IFRS standards, including IFRS 17 and BC, were purchased in electronic version through the official IFRS website, although they are available without annotations for free on the IFRS website.

The decision to focus on comment letters as a form of lobbying towards IFRS 17 was based on previous research which identifies comment letters as a functional proxy for other lobbying methods (Georgiou, 2004). The choice to solely examine ED3 was partly motivated by a prior study suggesting that lobbyists tend to engage more actively in the later stages of a standard-setting process (Rey et al., 2020). Additionally, this decision was reinforced by one of the two only previous studies specifically addressing IFRS 17 (Arce et al., 2023), where the authors call for future research on ED3, as it was not examined in their own analysis.

The IASB's BC "summarises the considerations of the International Accounting Standards Board (the Board) in developing IFRS 17" (IFRS 17.BC), providing additional stakeholder perspectives beyond those found in comment letters. This document reflects multiple different viewpoints presented throughout the entire due process, including those of various lobbyists. Since lobbying is an integral part of the IFRS due process, as discussed earlier, the IASB's considerations can reasonably be expected to reveal underlying tensions between stakeholders.

4.2.2 Interviews

A total of five interviews were conducted: one with a member of an audit firm (Interviewee 1), one with a supervisory authority (Interviewee 2), two with individual preparers (one with Interviewee 3 and one with Interviewees 5.1 and 5.2), and one with a preparers' association (Interviewee 4). The interviews lasted between one to two hours. Although the researchers sought a global perspective to some extent during the interviews, the insights obtained may reflect a predominantly European viewpoint, as all interviewees are based in Europe. The interviews further adopt a broader perspective, as the researchers aimed not only to avoid directing the interviewees' responses, but also to gain a deeper understanding of the standard-setting process. Note that the interviews were conducted after IFRS 17 was finalized, whereas the comment letters analyzed were submitted during the due process, indicating that the data sources reflect different time perspectives.

The interviews followed a semi-structured approach, allowing the researchers to remain open to emerging themes and development of concepts as well as theoretical insights in the data (Bell et al., 2019). An interview guide was constructed to act as guidance during the interviews, ensuring that all relevant topics were covered. This guide was tailored to each interviewee's background and expertise. The explicit consent to participate in this study and to record the sound of the interview

was requested from each interviewee. All interviewees gave their consent although one did not agree to recording. During this interview, one researcher held the interview and one took notes to ensure that all information was captured and well documented.

When contacting potential interviewees, the aim was to find a variety of stakeholder types to gain insights into the IFRS 17 due process from multiple perspectives. The process began by contacting a supervisory authority, expected to offer a broader view on the implementation and application of IFRS 17. The initial contact led to two further connections with individuals described as possessing strong expertise in the standard. Further, LinkedIn was used to identify accountants working for preparers required to apply IFRS 17 and a few were contacted via email. Some did not respond to the contact attempts while others replied but did not consider themselves to possess enough expertise to participate. One preparer organization responded positively, and contact was established with an individual considered well-suited for an interview. The other preparer was reached with the help of one of the interviewees, who referred to a person with extensive knowledge of the IFRS 17 due process. At the end of each interview, participants were asked to recommend others with insights into the due process of IFRS 17. Notably, all interviewees referred to individuals already interviewed or contacted, indicating a shared view of who the key experts are.

4.3 Sample selection of comment letters

As previously mentioned, the comment letters analyzed were submitted in response to ED3, published by the IASB in 2019. Each comment letter was first briefly reviewed to determine whether it explicitly addresses some or all of the questions posed by the IASB in ED3. Comment letters were considered to answer these questions if they contained an explicit statement, such as sub-headings for each question followed by corresponding answers. Those answering all ten questions were coded as “yes”, those answering at least one but not all of the questions were coded as “partly”, and those not answering any of the questions explicitly were coded as “no”.

For the qualitative analysis, the sample was delimited to Question 3 in ED3 of IFRS 17. This question specifically regards the Contractual Service Margin (CSM), which is a new component introduced by IFRS 17. Additionally, the IASB argues that the CSM is something that increases the complexity of the standard, especially for preparers in applying the standard (IFRS 17.BC.57). Reasonably, this results in entities affected by IFRS 17 having different viewpoints of the concept, which makes it an interesting topic of study. In line with this, Interviewee 1 expresses that the concept of CSM was highly debated, particularly in the beginning of the standard’s due process. Based on this, Question 3 was chosen as the specific question of study.

All 123 comment letters submitted to the IASB in response to ED3 were used in the sample when categorizing lobbyists by stakeholder groups and geographical regions. When presenting the positions held by lobbyists in response to questions in ED3, comment letters that did not address any of the questions were excluded from the sample, resulting in a sample of 105 comment letters. Moreover, when presenting the arguments employed by lobbyists in response to Question 3 as well

as when conducting the qualitative content analysis, only those comment letters explicitly addressing Question 3 were included in the sample. This resulted in a sample consisting of 90 comment letters.

4.4 Data analysis

This study provides descriptive statistics and elaborates on this by drawing on qualitative methods for data analysis. When conducting a case study, a qualitative method is useful in performing an intensive and detailed examination of the case (Bell et al., 2019). The aim of this study is to explore the tensions between different stakeholders in the due process of IFRS 17, which requires an examination of the meaning behind words in documents. To achieve this, a qualitative method is employed. However, qualitative methods of analysis can advantageously be complemented with quantitative methods. The study follows an *explanatory sequential design*, where the quantitative component is further elaborated by the qualitative component, with both elements collectively contributing to the study's findings (Bell et al., 2019). This indicates that the primary approach of this study is qualitative research.

4.4.1 Approach employed to quantify findings

A quantitative content analysis was conducted, involving categorizing and quantifying document content into predetermined categories (Bell et al., 2019). The results are presented as descriptive statistics in Chapter 5.

Categorization of lobbying stakeholders

The name of each comment letter submitter, its corresponding number, and the and a link to their comment letter from the IFRS website was imported into an Excel file. Lobbyists were categorized by stakeholder type following Arce et al. (2023), who also study IFRS 17. Each category further includes at least two sub-categories, based on the same study. The five categories and their respective sub-categories are:

- *Preparers* are either individual companies, such as insurance companies (including reinsurance companies) and banks, or associations representing multiple preparers.
- *Accounting profession* includes associations (e.g. institutes for chartered or certified accountants) and audit firms.
- *Regulators* include accounting standard-setters, regulatory authorities, and stock exchanges (although no respondents in the sample fall into the latter category).
- *Actuaries/consultants* include e.g. associations of actuaries and insurance consultants.
- *Others* comprise financial analysts (including credit rating agencies), investors, academics, and individuals who do not explicitly state that they are writing on behalf of an organization and sign the comment letter in their own name.

When assigning lobbyists to categories and sub-categories, both their names and information obtained from sources like "Abous Us" pages found via Google were considered. Next, lobbyists were categorized by geographic continent, with a separate category assigned to global stakeholders. The introduction of each comment letter was examined to identify any information about the geographical region in which the submitter operates. If the information was not provided, a Google search of the submitter's name was conducted to gather details about their geographical operations. Stakeholders operating in more than one geographical region were categorized as global.

Quantifying the positions held by lobbyists in comment letter responses

Criteria for categorizing lobbyists' positions in responses to questions in ED3 were developed based on Arce et al. (2023) but aligns with multiple other previous studies as well. The initial categories were: *agree*, *neutral*, and *disagree*. However, during the coding process, it became evident that an additional category was necessary to capture responses that expressed agreement with the IASB's propositions while also recommending further amendments. These responses were classified as *partially agree*.

Position	**Example of expression**
Disagree	CL 90: "We disagree with the proposed amendment …"
Neutral	CL 76: "No additional comments"
Partially agree	CL 3: "We welcome the amendment … However, we believe that further changes are needed"
Agree	CL 5: "We support the amendment since …"

Table 2. Classification scheme for positions held by lobbyists

Classification of arguments employed by lobbyists

The classification of arguments employed by lobbyists in comment letter responses to questions in ED3 was based on an abductive approach. In this study it means that the categories of arguments defined in previous research provided the base for the categorization of this part of the study's empirical evidence (Bell et al., 2019). By moving back and forth between the empirical findings and previous literature, additional categories of arguments than those found in previous research were identified. An abductive approach requires the researchers to open-mindedly examine the empirical material yet bearing in mind what previous research has found (Bell et al., 2019). The following categories were defined based on previous research:

- *Conceptual arguments* are defined as those concerning theoretical accounting concepts and principles related to issues addressed in the IASB's Conceptual Framework (Reuter & Messner, 2015; Tutticci et al., 1994).
- *Economic arguments* are defined as those concerning economic consequences of changes brought about by an accounting standard (Reuter & Messner, 2015; Tutticci et al., 1994).

The content of each comment letter in the sample was analyzed with these two categories in mind. Arguments were categorized as either conceptual or economic based on the above definitions, with the IFRS Conceptual Framework serving as guidance. However, it turned out that not all arguments fit into these two categories and thus two categories were added: operational arguments and arguments referring to competitive harm. The first includes arguments which refer to operational consequences of the proposed amendments and the second category includes arguments which emphasize that the proposed amendments will hurt the competitive power of the submitter organization. Lobbyists employing a conceptual argument in combination with any other type of argument were assigned to the category "Conceptual AND other", in addition to also being assigned to the relevant single-argument categories. Lobbyists not employing any arguments were assigned to the category "no argument". Rather than categorizing lobbyists into one category or the other, they received a "1" in each category that they fulfilled the requirements and a "0" in each category which they did not.

Type of argument	Example of expression/description
No argument	CL 92: "We agree with this proposed amendment."
Conceptual	CL 5: "The amendment reflects the services that insurance companies provide to the policyholder properly and ensures consistency with IFRS 15"
Economic	CL 110: "Such techniques will be extremely costly considering the potential number of generations which may co-exist in the portfolios due to the long duration of these contracts"
Operational	CL 3: "As such, the operational difficulties associated with coverage units changing once investment return services are deemed to have ceased would be avoided."
Competitive harm	CL 9: "[...] many insurers have expressed concerns with the disclosure under paragraph 109 that may disclose each entity's trade secret and competitive harm."
Conceptual AND other	Use of a conceptual argument in combination with at least one other type of argument.

Table 3. Classification scheme for types of arguments

4.4.2 Qualitative analysis

A qualitative content analysis was conducted of comment letters submitted in response to ED3 of IFRS 17, as well as BC to IFRS 17. This approach involved interpreting the meaning behind texts, highlighting the active role of the researcher in the analytical process (Bell et al., 2019). For this type of analysis, it is essential to allow categories to emerge from the data, while also recognizing that the context in which documents are produced influences their meaning (Bell et al., 2019). Each response to Question 3 of ED3 in the comment letters was carefully reviewed and notes were taken on the specific aspects addressed. Additionally, sections of the comment letters not tied to a particular question in ED3 were examined for opinions related to the CSM concept addressed in Question 3. Some lobbyists included such remarks before addressing the questions while others

placed them at the end of the letter, or under separate headings like "Other issues related to the CSM" (CL 3). This enabled the thematic analysis of frequently discussed issues.

When analyzing the IASB's BC, a keyword search was conducted based on the terms addressed in Question 3 of ED3: *Contractual Service Margin (CSM)*, *investment-return service*, *investment-related service*, and *coverage units*. Notes were taken on the search results, with references to the corresponding paragraphs in the document to facilitate revisiting the context.

To analyze the interview material, each recording was transcribed using a transcription tool, after which each transcript was reviewed and discussed by the interviewers together. The interviewers' own contributions were marked in bold, and segments considered as particularly relevant for the study's analysis were highlighted. For the interview without a recording, the interviewers instead reviewed and discussed the notes together directly after the interview and highlighted key segments relevant to the analysis.

4.5 Data quality

To enhance transparency, the authors aim to provide a detailed description of the research process and analysis (Bell et al., 2019). Further, this study adheres to two fundamental principles of qualitative research: *trustworthiness* and *authenticity*, where trustworthiness consists of four additional criteria: *transferability*, *credibility*, *confirmability*, and *dependability*.

According to Bell et al. (2019), transferability concerns the possibility to transfer the findings of a study to other contexts. For a case study, this implies transferring the findings to another case. The authors of this study thus attempt to provide a detailed and comprehensive description of the case to increase the chances of transferability, as Bell et al. (2019) suggest. Moreover, the case is presented early in the paper to contextualize the study.

Credibility reflects how believable and convincing the findings of a study are (Bell et al., 2019). In qualitative research the authors interpret empirical findings, and credibility is gained when others can accept the findings and find them plausible. To increase this study's credibility, complementary interviews were conducted aiming to provide more context to the issues discussed and avoid the risk of interpreting the case wrongfully. Upon request from the interviewees, the results were shared to ensure accurate interpretation of their statements, an approach referred to as respondent validation by Bell et al. (2019). Additionally, the authors reviewed the comment letters submitted in response to ED3 of IFRS 17 by the organizations or networks for which three of the interviewees work to assess consistency with what was discussed during the interviews. For globally operating stakeholders organized as networks of national entities, it is common to submit a single comment letter on behalf of the entire network. In the case of Interviewee 1, a comment letter was submitted by the global network they are working for but not their specific organization. The organizations which Interviewees 4, 5.1, and 5.2 work for lobbied through other organizations rather than independently. Although these letters were reviewed, some of the tensions raised during the interviews reflect broader disagreements between stakeholder groups rather than the views of

individual organizations, making them less likely to appear in the comment letters. Additional tensions existed internally, between different professions within the same organization, and these are also unlikely to be visible in comment letters as stakeholders typically present a unified position after reaching an internal consensus.

Moreover, Bell et al. (2019) note that qualitative research is often shaped by the authors' perceptions. Although confirmability can be challenging, the authors of this study aim to remain impartial in analyzing the empirics. Each comment letter was analyzed independently by one author and then jointly discussed by both authors. In case of disagreements, the letters were reviewed again to reach consensus. To ensure dependability, Bell et al. (2019) emphasize the need to document each phase of the research. This paper provides a detailed description of each phase and ensures the research process is logical and traceable, with all documentation stored accordingly.

Bell et al. (2019) further suggest that the authenticity criterion implies a broader perspective of the social and political impact of research. It requires researchers to fairly present the viewpoints of different parties in a social setting for them to be able to build an understanding of the situation in which they find themselves. To meet this criterion, the authors of this paper ensure that all relevant viewpoints are included in the study and represented fairly, for example by not excluding any stakeholders who submitted comment letters and by designing open-ended interview questions.

4.6 Ethical considerations

This study adheres to four ethical principles:

Avoidance of harm implies a serious effort to not harm study participants (Bell et al., 2019). In this study, the identities of interviewees and comment letter submitters are treated as confidential and kept anonymous, despite the public availability of the comment letters. This was particularly important due to the small sample of interviewees. Consequently, the authors have taken care not to disclose any information that could reveal the identities of those involved.

Informed consent implies providing interviewees with extensive information about the study to enable them to make an informed decision about whether to participate (Bell et al, 2019). This was ensured when first contacting the interviewees, requesting them to sign a consent form containing information about confidentiality, anonymity, and GDPR in connection with the interviews. The explicit consent to record the sound of the interviews was also requested from the interviewees.

Protection of privacy through confidentiality builds on the previously discussed principles and implies protecting the privacy of study participants (Bell et al., 2019). In this study, interviewees were not required to answer questions which they felt unable or unwilling to answer.

Preventing deception means presenting the research to participants and readers truthfully, without distortion (Bell et al., 2019). The authors are committed to communicating the true purpose of the study and framing interview questions respectfully to avoid misleading participants and to uphold their dignity and integrity.

5. Empirical findings

This chapter begins with an overview of lobbying activity in response to Exposure Draft 3 (ED3) of IFRS 17, using descriptive statistics to provide context. It continues with a discussion of tensions that existed during the due process based on insights from five interviews. Lastly, it presents tensions identified through the document analysis, supported by related interview insights.

5.1 Background

The IASB requested stakeholders' opinions in relation to certain specific aspects of IFRS 17 in ED3. The following ten questions were posed with their main topics as stated by the IASB:

Question	Topic
Q1	Scope exclusions—credit card contracts and loan contracts that meet the definition of an insurance contract.
Q2	Expected recovery of insurance acquisition cash flows.
Q3	Contractual service margin attributable to investment-return service and investment-related service.
Q4	Reinsurance contracts held—recovery of losses on underlying insurance contracts.
Q5	Presentation in the statement of financial position.
Q6	Applicability of the risk mitigation option.
Q7	Effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4.
Q8	Transition modifications and reliefs.
Q9	Minor amendments.
Q10	Terminology.

5.2 Quantification of stakeholder participation

5.2.1 Lobbying stakeholder types

Table 5 presents the stakeholders who submitted comment letters to ED3 of IFRS 17 categorized in line with the study by Arce et al. (2023), as described in Section 4.4.1. The findings indicate that preparers were the most active lobbying stakeholder group towards ED3 of IFRS 17. This group, consisting of both individual preparers and associations representing multiple preparers, accounted for 39% of all common letters submitted. Following preparers, regulators were the second most active group, comprising accounting standard-setters as well as regulatory authorities and accounting for 21.1% of all comment letters submitted. Next comes the accounting profession which submitted 18.7% of all comment letters. Actuaries and consultants submitted 14.6% of all comment letters and the group of "others" submitted only 6.5% of the comment letters.

In light of Sutton's (1984) cost–benefit theory of lobbying, the decision to engage in lobbying depends on whether the perceived benefits outweigh the associated costs. Preparers have more to

gain but also more to lose from changes in accounting standards compared to financial statement users (Sutton, 1984). Additionally, unlike users, who often hold diversified portfolios, preparers usually rely on a limited number of income sources, making them more vulnerable to negative effects from accounting standards (Sutton, 1984). This explains why the findings indicate that preparers lobbied more frequently than users. In absolute terms, preparers stand to gain more from lobbying as they are typically wealthier and more directly affected by the real economic consequences of changes in accounting standards, such as compliance costs (Sutton, 1984). Potential modifications to a standard that reduce future compliance burdens can thus justify the immediate costs of lobbying, explaining why preparers were the most active stakeholder group in lobbying towards ED3 of IFRS 17.

		Total N	Table N %
Preparers	**Total**	**48**	**39.0%**
	Companies	26	21.1%
	Associations	22	17.9%
Regulators	**Total**	**26**	**21.1%**
	Accounting standard-setters	20	16.3%
	Regulatory authorities	6	4.9%
Accounting profession	**Total**	**23**	**18.7%**
	Associations	16	13.0%
	Audit firms	7	5.7%
Actuaries/Consultants	**Total**	**18**	**14.6%**
	Actuaries	16	13.0%
	Consultants	2	1.6%
Others	**Total**	**8**	**6.5%**
	Financial analysts	3	2.4%
	Academics	2	1.6%
	Individuals	2	1.6%
	Investors	1	0.8%
All	**Total**	**123**	**100.0%**

Table 5. Number and share of comment letters submitted per respondent category

It is reasonable to assume that some comment letters and the opinions expressed therein carry more weight for the IASB than others. For example, larger and more powerful actors such as EFRAG are likely to exert greater influence on the IASB compared to smaller, country-specific entities. This is confirmed by Arce et al. (2023), who argue that EFRAG is a key actor, and Interviewee 5.1, who emphasizes that they lobbied through a preparers' association, believing that this was a way to achieve greater influence. However, since the aim of quantifying this data is to examine *who* is lobbying rather than the extent of each stakeholder's influence, each comment letter has been weighted equally in the descriptive statistics.

5.2.2 Geographical distribution of lobbying stakeholders

The lobbyists who submitted comment letters in response to ED3 of IFRS 17 can further be categorized geographically based on the continent on which they operate, as shown in Figure 4.

The findings reveal that Europe is the continent with the highest number of lobbying stakeholders, closely followed by the globally operating lobbyists. All seven continents are represented, however some more than others. Only one comment letter, submitted by an individual, was categorized as "unknown" as it was not possible to determine the origin of the submitter from the comment letter.

Sutton's (1984) cost-benefit theory of lobbying can explain these findings, assuming that South America and Africa generally are less wealthy compared to Europe, Asia, and North America. According to Sutton (1984), stakeholders with greater financial resources are more likely to engage in lobbying, which explains why entities operating in wealthier regions, such as Europe, Asia, and North America, are more active in the IFRS 17 due process than those in less affluent regions. Another plausible explanation is the broader and more mature insurance markets in wealthier countries, which naturally have a greater number of insurers. This increases the likelihood of participation in standard-setting processes from these regions.

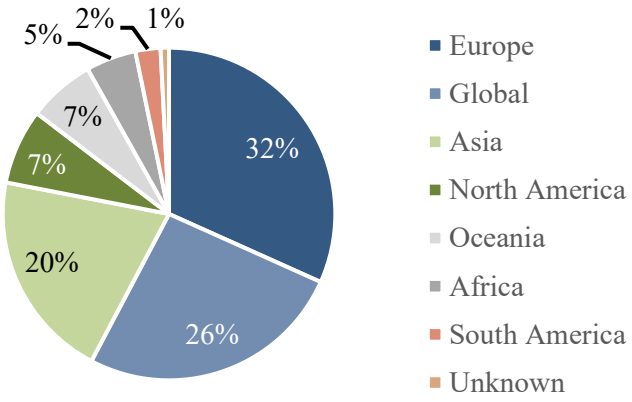
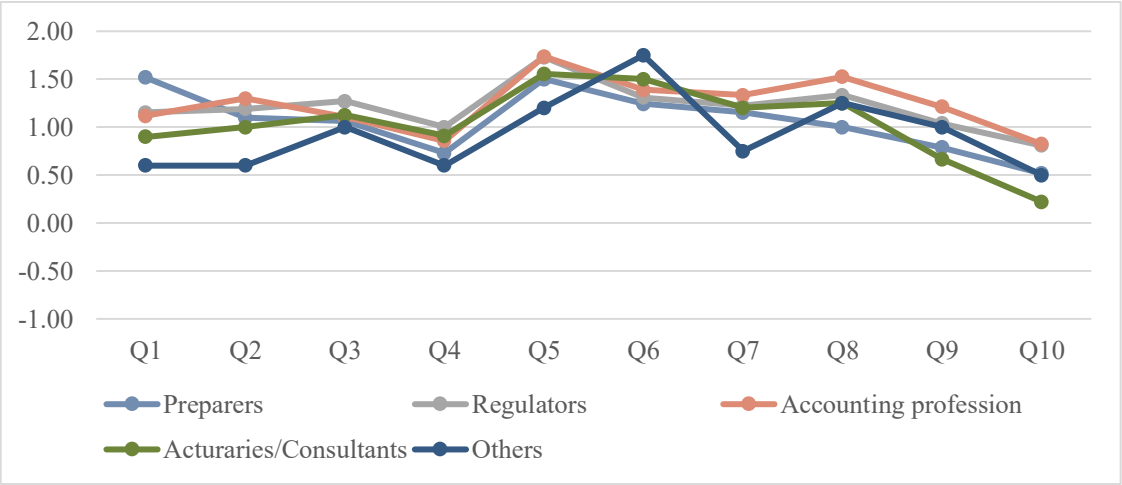


Figure 4. Geographical distribution of lobbying stakeholders

5.2.3 Positions held by lobbyists in responses to questions in ED

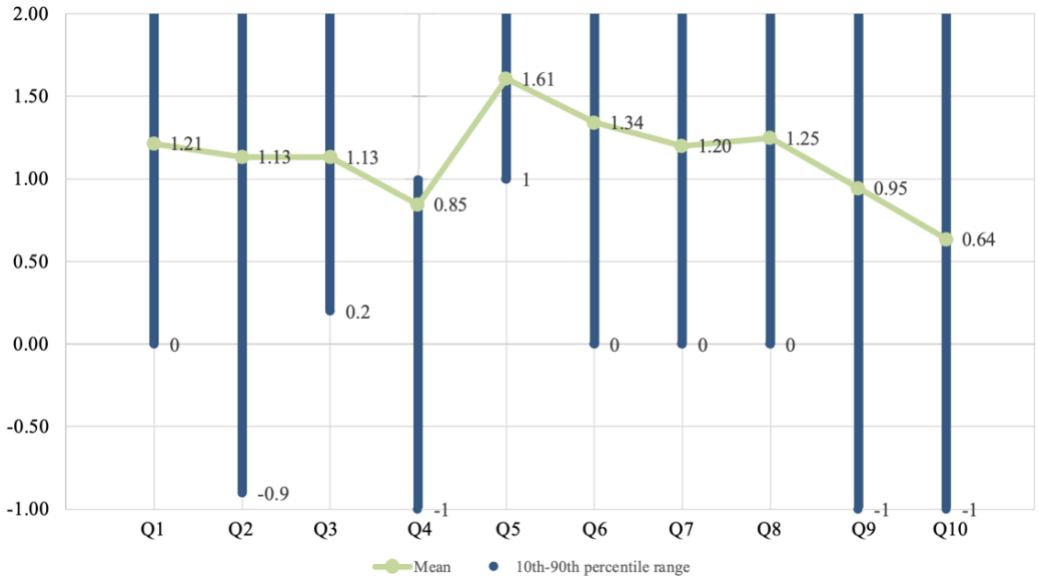
Figure 5 presents the mean of the positions held per respondent category in their responses to each question in ED3. A higher mean indicates stronger agreement with the IASB's proposal, while a lower mean reflects greater disagreement. The results show that positions vary depending on the topic of each question, suggesting that some issues were perceived as more critical than others. The greatest disagreement appears in responses to Question 4 and 10, whereas the highest levels of agreement are observed for Questions 5 and 6. Question 3 shows the smallest spread between the means across stakeholder groups, with means close to one indicating a general support for the proposal but with suggestions for further improvements.



Note: "-1" = disagree; "0" = neutral; "1" = partially agree; "2" = agree

Figure 5. Mean of positions held in responses to each question per respondent category

Figure 6 presents the mean and range between the 10th and 90th percentile of positions held in responses to each question, aggregated across all stakeholder groups. The 10th-90th percentile range serves as an indicator of variability among the majority of responses, with greater variability reflecting differing stakeholder views and potentially underlying tensions on a particular topic.



Note: "-1" = disagree; "0" = neutral; "1" = partially agree; "2" = agree

Figure 6. Mean and 10th-90th percentile range of positions held in responses to each question

It is evident that Questions 9 and 10 exhibit the largest ranges, indicating that 80% of responses span the entire scale of possible positions, from disagreement to full agreement. This suggests considerable variation in views and potentially that tensions exist. In contrast, Question 5 shows a narrow range, from one to two on the scale, meaning that 80% of respondents either partially agreed or fully agreed with the IASB's proposals, indicating greater consensus. Additionally, Questions 4,

9 and 10 are the only questions with a mean below one, suggesting that a larger share of lobbyists either disagreed with or held neutral positions in response to the proposals in these questions. Question 3 exhibits a relatively low 10^{th}-90^{th} percentile range, stretching from 0.2 to 2, indicating that most respondents partially agreed or fully agreed with the proposal.

5.3 Tensions identified during the IFRS 17 due process

As indicated in the previous subchapter, many lobbyists disagreed both with each other and with the IASB on some of the topics addressed in ED3. These potential tensions were further examined in the interviews, highlighting specific disagreements during the IFRS 17 due process.

The preparers and preparers' association interviewed agree that they generally seek accounting standards that produce financial statements which accurately reflect entities' business models (Interviewee 3; Interviewee 4; Interviewee 5.1). Preparers want stakeholders to understand their business as they do, requiring financial statements to present a fair and accurate picture (Interviewee 5.1). At the same time, they highlight the operational impact of implementing new standards as a key consideration (Interviewee 3; Interviewee 5.1). This means that while they value users' needs, the added operational burden of meeting those needs is also considered. Balancing the desire to provide users with useful information with the need for operational practicality was especially challenging during the IFRS 17 due process, given the standard's complexity and principles-based nature (Interviewee 5.2). Interviewee 2 further notes that preparers questioned IFRS 17 for imposing additional costs without resulting in additional information usefulness. As a result, much of the lobbying activity throughout the due process centered on influencing the design of the standard so that the relevant information for users could be provided at the lowest possible cost (Interviewee 2).

> *"... it's very much a factory today to get things across and you wonder if it provides so much more value to the reader than it did before"* (Interviewee 3)

Further, the interview findings reveal both general tensions between stakeholder groups and internal tensions within organizations. Interviewee 5.2 notes that actuaries generally hold a balance sheet-perspective while IFRS 17 aims to resolve the problems around the income statement, centered on how and when to recognize revenue for insurance services provided. IFRS 17 permits multiple options in some areas, such as the risk adjustment component of the insurance liability, which represents the additional compensation required by the insurer for bearing non-financial risk such as uncertainty in claim amounts or policyholder behavior. The standard gives entities considerable flexibility to interpret and exercise their own judgment with regard to the risk adjustment. Actuaries favored a more rules-based standard, desiring clarity, while accountants favored a more principles-based approach. Further, Interviewee 5.1 expresses, based on experience, that actuaries generally dislike fair value, instead advocating for prudence through the use of safety margins which is commonly applied in actuarial methodologies.

> *"Depending on which actuary you mention [talk to], you will hear that IFRS 17 is written by accountants."* (Interviewee 5.1)

Additionally, Interviewee 5.1 mentions that the implementation process of IFRS 17 resulted in internal complexities. Although it may be challenging for actuaries and accountants to understand each other, it is far more complicated to convey what IFRS 17 says in an 'IT-language' (Interviewee 5.1). Interviewee 5.2 emphasizes that implementing the standard requires using rather old IT-systems was significantly complex. Interviewee 3 highlights that the implementation of IFRS 17 largely depended on IT capacity, emphasizing the need for specialized expertise to educate internal staff on the standard's requirements.

As the interviews provide somewhat of a Swedish perspective of the IFRS 17 due process, the findings indicate various tensions arising in Sweden specifically. There were intense discussions surrounding mutual insurance companies, where policyholders are also shareholders. For these entities, IFRS 17 would result in no equity being reported on the balance sheet (Interviewee 4; Interviewee 5.1), since it requires all funds payable to policyholders to be recognized as liabilities. This led to lobbying efforts from Swedish mutual insurance companies wanting to be excluded from IFRS 17 (Interviewee 4). Ultimately, the lobbying efforts were successful in securing an exemption from IFRS 17 for unlisted companies, including mutual entities. However, this outcome gave rise to tensions among those who remained subject to the standard, as the exemption was perceived as unfair (Interviewee 3). They believed that the exemption undermined comparative neutrality and, for the sake of users, reduced comparability between entities as different accounting principles were used. They were thus surprised when the Swedish Financial Supervisory Authority agreed with the mutual entities' exemption proposal, who had earlier pointed out that IFRS 17 would apply also to mutual companies (Interviewee 3). Despite mutual insurance companies getting their will through, Interviewee 4 notes that some individuals working for preparers expressed personal disappointment when being excluded from IFRS 17, viewing it as an opportunity for personal development which they were looking forward to taking part in.

Another debate during the IFRS 17 due process surrounded the measurement of the insurance liability at fair value. Sweden generally aligned its stance with the IASB and favored fair value measurement (Interviewee 4). Countries in central and southern Europe, however, favored measurement at acquisition value to keep the financial statements more stable (Interviewee 4). These countries particularly advocated for an OCI-option, as volatility is viewed unfavorably by investors (Interviewee 5.1). This option allows for the discounting effects of insurance liabilities to be disclosed either in the income statement or in other comprehensive income (OCI). Interviewee 1 states that there were debates surrounding the OCI-option at different stages of the due process of IFRS 17 since it results in less comparability across entities. Today, entities that advocated an OCI-option utilize it to a greater extent (Interviewee 5.1), possibly indicating that they participated in the due process out of self-interest.

> *"It was very accepted in Sweden, we thought it was a good way of reporting, whereas in central and southern Europe, they may not have thought that it was so good. They want acquisition value, more stability."* (Interviewee 4)

Furthermore, the interviews revealed tensions regarding the different approaches for transitioning to IFRS 17. When transitioning, entities must re-measure insurance contracts using one of three approaches. The most comprehensive approach requires entities to determine, recognize, and measure groups of insurance contracts as if the standard had always been in place (IFRS 17.C4), while there is also a modified version of this approach which allows for some simplifications such as using reasonable approximations when re-stating accounting numbers from previous periods (IFRS 17.C6). There is also a fair value approach, which requires no adjustments to prior periods and determines the CSM as the difference between the fair value of the group of contracts and the fulfilment cash flows as estimated at the transition date (IFRS 17.C20). Multiple interviewees mention that the topic of transition methods was discussed intensively during the due process of IFRS 17 (Interviewee 1; Interviewee 2; Interviewee 5). Interviewee 2 argues that allowing different transition approaches undermines comparability across entities, suggesting that it will arise about 20 years after IFRS 17 came into force, once contracts issued before IFRS 17 have expired and similar contracts are valued using the same method.

Multiple interviewees further emphasize the CSM as a highly debated topic during several stages of the IFRS 17 due process. Interviewee 1 explains that the existence of the CSM emerged from discussions and compromises between stakeholders. The IASB aimed to enhance transparency by requiring entities to explicitly show the margins embedded in insurance contracts, including both the risk adjustment and the CSM. Actuaries generally supported the IASB on this matter, as the explicit disclosure of margins provides transparency about the level of prudence included in actuarial and financial assumptions. Beyond the risk adjustment, the treatment of profit recognition became a topic of debate and tensions specifically emerged between actuaries and accountants. Many actuaries viewed the recognition of day-one profits as a reasonable accounting approach, while accountants opposed this view, arguing that no service has yet been provided at inception of an insurance contract. As a result, the CSM was introduced to prevent the recognition of a day-one profit, but many actuaries questioned using it for this purpose. Interviewee 5.1 notes that actuaries struggled with understanding the CSM as a concept and argued that it was misaligned with traditional actuarial principles and methodologies. In contrast, Interviewee 4 highlights that while there were discussions surrounding the CSM, preparers generally viewed it positively, acknowledging the necessity of such a component and expressing agreement with the underlying concept. However, discussions among preparers regarding the CSM often dealt with the complexities with calculating the margin. This shows that the CSM was not unproblematic from preparers' point-of-view, but that their discussions surrounded the practical complexities rather than the theoretical concept, which was the focus of other stakeholders.

Another topic of discussion during the due process was the "unlocking" of the CSM (Interviewee 2; Interviewee 5.1), which refers to adjustments made to the CSM to reflect changes in estimates of the present value of future cash flows. Interviewee 5.1 highlights that the debate centered on

how prescriptive the standard should be in guiding the unlocking mechanism, how much interpretive flexibility should be allowed, and to what extent outcomes could vary between entities.

In light of legitimacy theory, entities that report information which accurately reflects their business models are more likely to be perceived as legitimate by stakeholders, who expect relevant information for informed decision-making. These expectations create social norms of appropriate behavior for entities (March & Olsen, 2011). While meeting users' expectations is important to gain and maintain legitimacy, operational concerns must also be considered, without significantly compromising the usefulness of information. As discussed earlier, the interview findings reveal that lobbyists desired to influence the design of IFRS 17 to ensure that relevant information could be provided at the lowest possible cost. This can be interpreted through Sutton's (1984) cost-benefit model of lobbying. Applying this theory, the findings suggest that lobbyists view the potential benefits of lobbying as achieving the same level of information usefulness for financial statement users but with lower economic and operational costs. In other words, paying the costs of lobbying can possibly result in reduced costs for providing financial statement information for preparers. These potential benefits are considered to outweigh the direct costs of participating in the due process, providing a plausible explanation for their decision to engage.

5.4 Tensions identified regarding the CSM

An in-depth examination has been conducted of Question 3, presented in Figure 7 (see Appendix 1 for relevant IFRS 17 citations), concerning the CSM and determination of coverage units. As briefly mentioned in Section 2.3, certain insurance contracts do not solely provide insurance coverage but also investment returns to the policyholder. These can either be linked or unlinked to the performance of underlying assets. IFRS 17 requires entities to consider these services when determining coverage units. Coverage units measure how much service the insurer provides to the policyholder in each reporting period in relation to the total expected service, which is used to allocate the CSM as revenue over time (see Example 6 in Appendix 2). IFRS 17 states that "The number of coverage units in a group [of contracts] is the quantity of insurance contract services provided … determined by considering … the quantity of the benefits … and [the] expected coverage period." (IFRS 17.B119).

Question 3 proposes to include any investment-return service in the determination of coverage units for contracts without direct participation features (DirPF), where returns unlinked to the performance of underlying assets are provided to the policyholder. The IASB also proposes to include investment-related services for contracts with DirPF, contracts that not only provide compensation if an insured event occurs but also entitle policyholders to a share of the returns from a clearly identified pool of underlying assets (see Section 2.3 for definitions of insurance contracts with and without DirPF). The proposal implies that the insurer should consider investment-return service or investment-related service, in addition to insurance coverage, when determining coverage units (see Example 6 in Appendix 2). This means that entities should assess both the quantity of each service provided (i.e. how much benefit is delivered in each period) and the

expected period over which that service is provided. The quantity of service refers to the amount or extent of coverage or service (e.g. the level of insurance risk covered or the extent of investment management provided). The expected period refers to the duration over which the insurer is expected to provide each type of service under the contract.

Question 3—Contractual service margin attributable to investment-return service and investment-related service (paragraphs 44–45, 109 and 117(c)(v), Appendix A, paragraphs B119–B119B and BC50–BC66)

(a) Paragraphs 44, B119–B119A and the definitions in Appendix A propose that an entity identify coverage units for insurance contracts without direct participation features considering the quantity of benefits and expected period of investment-return service, if any, in addition to insurance coverage. Paragraph B119B specifies criteria for when contracts may provide an investment-return service.

Do you agree with the proposed amendment? Why or why not?

(b) Paragraphs 45, B119–B119A and the definitions in Appendix A clarify that an entity is required to identify coverage units for insurance contracts with direct participation features considering the quantity of benefits and expected period of both insurance coverage and investment-related service.

Do you agree with the proposed amendment? Why or why not?

(c) Paragraph 109 proposes that an entity disclose quantitative information about when the entity expects to recognise in profit or loss the contractual service margin remaining at the end of a reporting period. Paragraph 117(c)(v) proposes an entity disclose the approach used to determine the relative weighting of the benefits provided by insurance coverage and investment-return service or investment-related service.

Do you agree with the proposed disclosure requirements? Why or why not?

Figure 7. Question 3 in ED3 of IFRS 17

Reviewing comment letters and the IASB's Basis for Conclusions (BC) reveals multiple tensions surrounding the CSM and some of the findings from the interviews confirm these tensions. Many lobbyists address additional aspects of the CSM that are not specifically addressed in Question 3 of ED3, further underscoring these tensions. This suggests that even though lobbyists generally held consensus in their responses to Question 3 (as shown in Figure 5), they did not seem to agree with the IASB. The clearest common denominators among the responses to Question 3 and other related topics are presented and analyzed in further depth in the following sections of this subchapter.

5.4.1 Annual cohort requirement

The first tension identified relates to the CSM, although it was not specifically addressed in Question 3. The IASB introduced the topic in earlier stages of the IFRS 17 due process, but stakeholders appeared to disagree with the standard-setter and therefore raised the issue again in their responses to ED3. The tension concerns the annual cohort requirement of IFRS 17, which requires entities to group insurance contracts based on their year of inception (IFRS 17.22). As the

measurement of the CSM is determined based on groups of insurance contracts (IFRS 17.38), the annual cohort requirement affects revenue recognition, which results from "unlocking" the CSM over time (see Section 2.4.3). Among lobbyists, there appears to be broad consensus on this point, with tensions instead arising between the IASB and the lobbying stakeholders. Interviewee 4 expresses that preparers strongly disagreed with the annual cohort requirement, arguing that it does not reflect the duration differences between life and non-life insurance contracts. Non-life insurance contracts usually have a contract term of one year while life insurance contracts commonly have significantly longer terms. Normally, insurance contracts are managed on an aggregate level, independent of the inception of the contract, as it spreads the risk between generations of policyholders (Interviewee 1). Interviewee 4 explains that stakeholders therefore argued that the annual cohort requirement misaligns with the way life insurance contracts are managed in practice. Presenting information according to the requirement would thus impose additional costs without improving the information usefulness for users. Findings from comment letters further support this concern as submitters of comment letters argue that it results in an artificial calculation of the CSM, which is unlikely to be useful for users.

> *"… if an insurer were to be required to determine CSM in order to allocate the effect of mutualisation to each cohort, the insurer would be forced to determine CSM in [an] artificial way."* (CL 45)

The IASB, on the other hand, are of the view that the annual cohort requirement reduces uncertainties (Interviewee 4). Interviewee 5.1 states that, as usual, the IASB took the user perspective, rejecting preparers' concerns. In developing IFRS 17, the IASB considered whether the CSM should be measured for each insurance contract separately or at group level, acknowledging that an individual measurement would be consistent with IFRS 9 and IFRS 15 and provide more precise information (IFRS 17.BC.118). However, the IASB concluded that this would not provide useful information about the overall performance of insurance contracts and thus of the entity's business (IFRS 17.BC.118), resulting in the retention of this requirement.

Other lobbyists, although still disagreeing with the annual cohort requirement, propose arguments related to the costs and efforts which calculating the CSM results in rather than the misalignment with practice. They emphasize that the requirement imposes significant costs and efforts for financial statement preparers. In line with this, Interviewee 2 expresses that some stakeholders opposed the annual cohort requirement because it necessitates measuring long-term contracts, including the CSM, on an annual basis.

> *"The intergenerational mutualisation of cash flows has also implications on the CSM calculation causing significant costs and efforts being required if it would have to be done on an annual cohort's basis"* (CL 12)

Despite efforts to persuade the IASB, stakeholders failed to have the annual cohort requirement removed (Interviewee 4). As a result, lobbyists within the European Union took this discussion to EFRAG and after deliberations it was decided by legislative bodies in the EU that entities within the European Union would be excluded from the annual cohort requirement. The IASB did not

appreciate this European exception as they do not favor local variations of IFRS (Interviewee 1; Interviewee 4). Many lobbyists did not view the EU exemption as an ideal solution either but considered the negative implications of the requirement too significant not to advocate for an exemption (Interviewee 4).

Viewed from Schipper's (2010) cost-benefit theory of the standard-setter perspective, it can be argued that the EU Commission, permitting an exemption of the annual cohort requirement, believed that the requirement posed more costs than benefits. Given that local exemptions are rare, the theory suggests that the costs must have significantly exceeded the benefits for the EU Commission to arrive at this decision. It could even be that the Commission did not see many benefits at all from this requirement, making even lower costs exceeding the benefits. Lobbyists' argumentation, on the other hand, can be understood through Sutton's (1984) cost-benefit model of lobbying. Comment letters reflect that they consider the benefits of potentially persuading the IASB into removing this requirement as resulting in a more faithful representation of economic reality in financial statements, as well as reduced operational complexity by aligning accounting practices with the way contracts are handled in practice. In light of the theory, lobbyists must have assessed these potential benefits as outweighing the costs of lobbying.

5.4.2 Locked-in discount rate for the CSM

Comment letters further reveal that another topic, related to the CSM but not explicitly addressed in Question 3, was commonly discussed. Several lobbyists commented on the proposal requiring entities to use a locked-in discount rate when measuring the CSM under the general measurement model in IFRS 17, which is applicable to some insurance contracts without DirPF as well as reinsurance contracts. A locked-in rate refers to applying the discount rate determined at inception of a group of contracts to accrete the CSM throughout the entire duration of those contracts (IFRS 17.44). Lobbyists opposing this mainly argue that the practice causes inconsistencies since other components are discounted using a current rate, reflecting the time value of money and financial risks not included in expected cash flows. Financial statement effects of this accounting method on both the balance sheet and the income statement are highlighted in comment letters.

> *"This is inconsistent with the measurement of the expected cash flow component of the liability and with participating business measured under the VFA [insurance contracts with DirPF] both of which are discounted at a current rate. The IASB's decision to retain the CSM at a locked in rate introduces measurement inconsistencies in the balance sheet, distortion in profit and loss when operating assumptions change and increases operational complexity. Greater consistency can be achieved by use of a current discount rate for all CSM measurements, re-measurements and movements"* (CL 112)

In line with this, the IASB notes in BC that stakeholders raised concerns about using a locked-in rate as it would be inconsistent with the measurement of fulfilment cash flows which uses a current rate (IFRS 17.BC.274). However, they argue that since the CSM does not reflect future cash flows but rather unearned profit, it is not affected by the time value of money and financial risks (IFRS 17.BC.228). The IASB further argues that the CSM is determined at contract inception and that for

insurance contracts without DirPF, it is not adjusted for changes in interest rates, which means that it would be inconsistent to accrete it over time using a current rate (IFRS 17.BC.274). Additionally, for insurance contracts without DirPF, the net result is considered to be the difference between premiums received and claims paid (IFRS 17.BC.229). The insurance finance result separately captures the impact of the time value of money and changes in assumptions related to financial risk in the income statement (IFRS 17.BC.229).

> *"Some stakeholders argued that interest should be accreted at a current rate on the grounds that the current rate would be consistent with the measurement of the fulfilment cash flows … Accreting interest for a period at a current rate without also remeasuring the contractual service margin at the start of the period would create an internally inconsistent measurement of the contractual service margin."* (IFRS 17.BC.274)

Lobbyists additionally note that the use of a locked-in discount rate becomes further problematic in the context of reinsurance contracts, which are used by insurers to mitigate risk. So-called "quota share reinsurance contracts", which aim to insure a proportion of the risk resulting from underlying insurance contracts, can have another inception date than the underlying insurance contracts. If a locked-in discount rate is used, accounting mismatches are created since different discount rates are used for the CSM of the reinsurance contract and the CSM of underlying insurance contracts.

> *"This requirement not only creates inconsistencies between the measurement of the Contractual Service Margin (CSM) and the present value of future cash flows for a group of contracts, but the issue is further exacerbated between underlying insurance contracts and reinsurance contracts held that have differing contract boundaries. The use of different inception date discount rates will result in accounting mismatches that do not reflect the economics of the contracts and have the potential to significantly distort financial results in a given period"* (CL 42)

It is further argued by lobbyists that the proposal will cause volatility in the income statement and the balance sheet, highlighting different financial statement effects. They emphasize that users of financial statements are disadvantaged due to misstatements introduced by the proposal.

> *"The requirement … will … very significantly distort reporting both in the P&L and of shareholder equity in the balance sheet, to the detriment of users. This will lead to an increase in the use of alternative measure reporting, as opposed to a reduction the IASB has assumed would be a benefit of IFRS's introduction"* (CL 13)

Applying Sutton's (1984) cost-benefit theory of lobbying, lobbyists who chose to comment on a topic not explicitly raised by the IASB in ED3, the use of a locked-in discount rate, must have perceived that the potential benefits of doing so outweighed the cost of the additional time spent. The perceived benefits include reducing accounting mismatches, which follow from the use of a locked-in discount rate, ultimately resulting in more relevant financial statement information for users. It was also highlighted that the use of a locked-in rate adds complexity, suggesting that a further motivation to comment was the potential benefits of reducing implementation burdens. While the perceived benefits likely varied among lobbyists, Sutton's (1984) theory helps explain why they found it worthwhile to comment on a topic beyond the scope of the IASB's specific

questions. Despite this resistance, the IASB retained the locked-in discount rate requirement (IFRS 17.44). The IASB's reasoning can be interpreted through Schipper's (2010) cost-benefit theory from the perspective of the standard-setter, which suggests that standard-setters prioritize conceptual benefits over operational concerns. Although the IASB considered lobbyists' viewpoints, as indicated in BC, it ultimately assessed that preserving a faithful representation of unearned profit, and thereby enhancing the relevance of information for users, outweighed the increased complexity faced by preparers.

5.4.3 Additional tensions identified in Basis for Conclusions

The IASB's BC highlights additional tensions between the standard-setter and stakeholders that are not apparent in comment letter responses to ED3. These tensions, however, may have emerged during earlier stages of the IFRS 17 due process or through other forms of lobbying than comment letters, both of which are outside the scope of this study.

Revenue recognition is one area where tensions emerge. The IASB proposed recognizing revenue based on changes in the liability for remaining coverage (LRC) for each reporting period, arguing that this approach faithfully represents an entity's performance in providing services (IFRS 17.BC.35). Some stakeholders, however, expressed concern that this method relies too much on estimates as it bases revenue recognition on a component that is measured using estimates about the future. Instead, they suggested using time-based measures of progress for revenue recognition (IFRS 17.BC.37). However, the IASB rejected this view, arguing that changes in the LRC reasonably reflect performance as this component captures the obligation to provide future insurance services. It also concluded that time-based methods are inappropriate, given the variability in the value of services provided over time (IFRS 17.BC.37).

It is further clear that in general, the IASB acknowledges the complexity of IFRS 17 while ultimately prioritizing information usefulness, favoring the user perspective. For example, recognizing the CSM as profit over the coverage period instead of at inception introduces complexity for both preparers and users (IFRS 17.BC.59). Preparers are required to measure and allocate the CSM over the coverage period, and this information is later to be understood by financial statement users. Despite the complexity, the IASB argued that this accounting treatment faithfully represents the performance of entities throughout the coverage period (IFRS 17.BC.59).

Some stakeholders further expressed concern about the IFRS 17 requirement to subsequently adjust the CSM for changes in estimates related to future service and for financing effects. Changes in estimates related to future service involve adjustments to the expected cash flows, including premiums, claims, expenses, investment components, policyholder loans, and risk adjustments, all of which impact the amount of revenue to be recognized over the remaining coverage period (IFRS 17.B96). Adjustments for financing effects ensure that the CSM incorporates interest rate effects which affect the carrying value of the component (IFRS 17.44; IFRS 17.45). Stakeholders argued that these adjustments impose complexity for both financial statement users and preparers, however

the IASB rejected this view, arguing that the treatment is consistent with IFRS 15 (IFRS 17.BC.60; IFRS 17.BC.270).

> *"Some argued that the contractual service margin should not be adjusted for a financing effect on the grounds of simplicity and because they view the contractual service margin as being a deferred credit rather than a representation of a component of an obligation. However, adjusting the contractual service margin for a financing effect is consistent with IFRS 15."* (IFRS 17.BC.270)

In other cases, lobbyists successfully influenced the IASB. One such example concerns the IASB's initial proposition to not adjust the CSM subsequently for changes in future cash flow estimates (IFRS 17.BC.225). Stakeholders argued that this would misstate the unearned profit as a part of the insurance liability. Ultimately, the IASB accepted these concerns and allowed for subsequent adjustments to the CSM reflecting changes in future insurance service estimates (IFRS 17.BC.226).

> *"The Board, persuaded by these views, accordingly decided to adjust the contractual service margin for changes in estimates of fulfilment cash flows that relate to future service."* (IFRS 17.BC.226)

In line with Sutton's (1984) cost-benefit theory, lobbyists appear to perceive the potential benefits of influencing the due process as outweighing the costs of lobbying, as reflected in their arguments. Similarly, Schipper's (2010) theory, capturing the standard-setter perspective, explains how the IASB weighs costs against benefits. Both lobbyists and the IASB view the usefulness of information for financial statement users as benefits in their cost-benefit analyses, yet they reach different conclusions. For example, lobbyists argue that changes in the LRC misrepresent the insurance service provided and prefer time-based revenue recognition, highlighting an interest in financial statement information being presented fairly. While the IASB considers these arguments, it often concludes that such proposals compromise the accuracy of information for users. Ultimately, both sides enhance information usefulness but apply different cost-benefit assessments. With Sutton's (1984) theory in mind, it can be said that lobbyists consider the potential benefits of succeeding with their lobbying efforts, namely a more faithful representation in financial statements, to outweigh the costs. Similarly, with Schipper's (2010) theory in mind, the IASB can be said to view the benefits differently, weighing these against the costs for users, preparers, and auditors. These theories together explain why the IASB sometimes rejects lobbyists' proposals, even while acknowledging their concerns. In line with this, evidence from BC highlights that the IASB considers arguments referring to costs for preparers but often reject them on the grounds that the resulting information better reflects economic reality. This suggests that while preparer costs are considered, the benefits of providing the information often outweigh these costs.

Legitimacy theory can further explain the fact that lobbyists often frame their arguments around enhancing information usefulness for users. According to March & Olsen's (2011) "logic of appropriateness", organizations seek legitimacy by aligning their actions with societal expectations of appropriate behavior. As arguments referring to improved information usefulness align with the IASB's Conceptual Framework, they were likely viewed as more legitimate by the IASB. This

explains why lobbyists managed to influence the IASB's decisions in some cases, such as when emphasizing that not adjusting the CSM subsequently would result in accounting misstatements.

5.4.4 Determination of coverage units

Sections 5.4.4 to 5.4.6 present the common denominators in topics discussed in comment letter responses to Question 3 specifically.

One clear point of discussion among lobbyists is the determination of coverage units to allocate the CSM over time as insurance revenue, i.e. revenue recognition. Many state that the proposal to include investment-return services when identifying coverage units for insurance contracts without DirPF and the proposal to include investment-related services when identifying coverage units for insurance contracts with DirPF is an improvement to IFRS 17. It is commonly argued that these proposals lead to a better reflection of the services provided to policyholders and more appropriate presentations of the profitability of insurance contracts. Further, lobbyists argue that the proposed amendments increase the relevance of information presented in financial statements of entities issuing insurance contracts.

> *"These amendments should provide more useful information for contracts that have both insurance and investment related components"* (CL 65)

While some lobbyists solely point out that these proposals are an improvement, others argue that even though these proposals are a step in the right direction, it is operationally complex to include investment services in the identification of coverage units. Applying the proposed amendments involves significant judgment by entities, as they must interpret the standard within their specific context, which may result in inconsistent application across entities. This presents a tension revealed between lobbying stakeholders as expressed in comment letters. A few lobbyists request application guidance from the IASB, perceiving it as a possible solution to these problems.

> *"... we believe that these amendments introduce significant additional judgment, in addition to the increased system complexity and associated costs, which will lead to diverse practices in the recognition pattern of the contractual service margin ("CSM") and therefore less comparability across the industry"* (CL 16)

Further tensions are prevalent in the BC. The IASB aimed to establish a clear and consistent method for revenue recognition by proposing that investment-related services and investment-return services should be included in the determination of coverage units. However, BC highlights that some stakeholders advocated for entities to consider all services provided by the contract when recognizing the CSM, potentially including services beyond insurance coverage and investment service (IFRS 17.BC.283J). The IASB rejected this suggestion, arguing that it would introduce additional complexity and subjectivity (IFRS 17.BC.283J).

> *"The Board concluded that specifying that an entity recognises the contractual service margin by considering all services would result in more subjectivity and complexity than entities already face when determining the pattern of service provision."* (IFRS 17.BC.283J)

Sutton's (1984) cost-benefit theory of lobbying, suggesting that stakeholders will lobby only if the expected benefits of doing so exceeds the costs, provides a lens through which lobbyists' decision to participate in the due process can be explained. As discussed, comment letter submitters emphasize that the proposed amendments could result in inconsistencies or require undue judgment and operational complexity. Through comment letters, these lobbyists attempt to persuade the IASB into changing the standard to avoid these consequences. In light of Sutton's (1984) theory, the possibility of avoiding these consequences can be interpreted as desired benefits for lobbyists in their lobbying efforts. These benefits must have outweighed the costs of lobbying in order for comment letter submitters to decide to engage, according to Sutton (1984).

Additionally, Schipper's (2010) cost-benefit theory of the standard-setter perspective can be applied to explain the findings from BC. The IASB also made cost-benefit considerations, assessing potential effects of allowing entities to include other services than insurance coverage and investment service when determining coverage units to allocate the CSM as revenue. However, it concluded that this would increase complexity and subjectivity. As Schipper (2010) suggests, standard-setters consider incurred costs by users in using financial statement information when designing accounting standards. In this case, increased complexity and subjectivity will likely result in reduced comparability, increasing difficulty in understanding financial statements. These costs are considered by the IASB, who determined them to outweigh the benefits and thus rejected the suggestion.

5.4.5 Scope of investment-return service

Many comment letter submitters discuss the scope of investment-return service. If this service exists, insurance contracts without DirPF grant policyholders the right to receive returns unrelated to the performance of underlying assets, such as a fixed rate of return, in addition to insurance coverage. There are diverted opinions regarding the definition of investment-return service (stated in IFRS 17.B119B, see Appendix 1 for citation), since some believe the criteria are too narrow while others believe they are appropriate. Many of those supporting the definition do not provide an argument, instead expressing general agreement with Question 3 as a whole. Some lobbyists, however, argue that the definition is too rules-based, failing to capture certain contracts that should be included. They advocate for a principles-based approach to prevent unintended scope exclusions.

> *"... the criteria in B119B appear restrictive and rules-based, and could result in various contracts that are considered in practice to be providing investment services failing the criteria"* (CL 63)

Among those opposing the definition of investment-return service, it is highlighted that the criteria exclude other economically similar contracts, resulting in inconsistent accounting treatment. The contrasting views highlight alternative accounting treatments, resulting in different financial statement effects. A rules-based definition provides clear guidance and may enhance comparability. However, if similar contracts are excluded and accounted for differently, it can lead to accounting

inconsistencies (IFRS 17.BC.283D), ultimately reducing comparability. In contrast, a principles-based approach which does not specify conditions for the existence of an investment-return service reduces the risk of excluding similar contracts but allows for greater interpretation by individual entities (IFRS 17.BC.283D), which may reduce comparability.

> *"... in some circumstances, policyholders may benefit from investment services when there is no right of the policyholder to withdraw amounts from the insurer. A consequence of this is that contracts that are economically similar, but that do not have a withdrawal option, will have different revenue recognition and different measurement of the future cash flows. Therefore, we propose that B119B(a) is removed from the definition of an investment return service"* (CL 83)

Some lobbyists further argue that some insurance products would qualify as providing investment-return service without actually providing such a service under the definition. An example raised by submitters is insurance policies that are not designed as investment products but include a cash surrender value, which is a cash component that can potentially grow during the contract term and that can be withdrawn by the policyholder if the contract is cancelled early. Lobbyists argue that the cash surrender value is not the core part of the policy in this case and that an investment-return service has not been provided if the insurer pays back premiums paid by the policyholder before contract maturity or death of the policyholder. Thus, they argue that such policies should not be treated similarly to policies where investment components constitute a core of the contract.

> *"... "incidental" investment-return services should be specifically excluded from the scope of the definition. An example of a product with such services that some stakeholders would not want to see captured by ED.B119B is a whole of life protection policy with pay-out on death that has a cash surrender value (which may be required by local regulations)"* (CL 63)

In response, the IASB notes in BC that stakeholders during the due process argued that investment-return service is provided in other cases not captured by the standard's definition of investment-return service. However, it retained the current definition, arguing that an investment-return service only exists if the contract contains an investment component or if the policyholder has the right to withdraw returns resulting from investment activity by the entity (IFRS 17.BC.283C). Despite the decision, the IASB still acknowledges that a rules-based definition poses a risk of an inappropriate outcome in some circumstances (IFRS 17.BC.283C), as some lobbyists emphasized.

> *"The Board concluded that an investment-return service exists only if the contract includes an investment component or the policyholder has a right to withdraw an amount from the entity."* (IFRS 17.BC.283C)

Additionally, many comment letter submitters highlight that it is unclear what is meant by "positive investment return" in the standard, referring to the measurement implications and diverse meanings in different contexts. It is highlighted that in a negative interest environment, a negative return could still be considered as an investment return. Other lobbyists question whether providing a return lower than the return on risk-free investments could be considered a positive return or not.

> *"In identifying investment-return service, the meaning of "positive investment return" is unclear. Without the parentheses, "positive" clearly means "greater than zero". The parenthetical*

> *comment that a positive investment return could be below zero suggests that the word "positive" means "greater than something", in this context, but what is "something"? Risk-free rates?"* (CL 59)

Some lobbyists further question whether an insurance contract consistently has to provide positive returns since returns can fluctuate over time, while others highlight uncertainty in returns and question if returns have to be certain or if a positive expected return is enough to meet the definition.

> *"Questions may arise as to ... whether the positive investment return should be determined based on the entire duration of the contract, and if so, whether profit for investment service should be attributed to periods of expected negative return. In particular, a contract may generate a negative return during the earlier periods, even if the amount repayable to the policyholder is expected to include a positive investment return over the entire duration of the contract."* (CL 117)

While many lobbyists suggest that the definition of a positive investment return could be improved, others express their support for the proposed amendments in Question 3a overall, indicating agreement with the IASB's definition of investment-return services, even if not stated explicitly. In the final standard, the IASB decided to remove the word 'positive' and clarify that investment returns can be negative (IFRS 17.B119B).

Viewing the findings from Sutton's (1984) cost-benefit theory of lobbying, the discussions surrounding the definition of investment-return service reflect how stakeholders assess the costs and benefits of participating in the due process. A rules-based definition that excludes economically similar insurance contracts may reduce the relevance of financial statements. By submitting letters commenting this, it becomes clear that lobbyists view the benefits of potentially persuading the IASB into widening the scope of the definition as outweighing the direct costs of lobbying. In contrast, stakeholders who are less affected by the proposed amendments are likely less motivated to provide detailed comments or participate at all, as the cost of lobbying then exceeds potential benefits, in light of Sutton's (1984) theory.

The IASB's considerations, on the other hand, can be understood through Schipper's (2010) cost-benefit theory of the standard-setter's perspective. Despite opposition, the IASB retained a relatively rules-based definition of investment-return service, arguing it sufficiently captures relevant cases. The IASB considered the effects of broadening the definition, as suggested by stakeholders, but concluded that this would not faithfully represent economic reality. Schipper (2010) suggests that costs which standard-setters consider include those incurred by financial statement users in using the information. The IASB likely considered potential accounting inconsistencies resulting from a principles-based definition as costs for users since it can decrease comparability, and assessed these to outweigh the benefits, resulting in turning down the suggestion. However, the IASB acknowledges different viewpoints in BC, even those that were rejected, which can be seen as a way to gain legitimacy. According to legitimacy theory, organizations act in line with social structures and expectations in order to be perceived as legitimate by its stakeholders (Meyer & Rowan, 1977). As the IASB invites stakeholders to

comment on their proposals, it is reasonable to assume that lobbyists expect them to consider all viewpoints. Therefore, acknowledging them in the BC likely increases the legitimacy of the IASB.

5.4.6 Quantitative disclosure requirement

The final common denominator identified in the documents, explicitly addressed in Question 3, is the requirement to disclose quantitative information on future recognition of the CSM. Unlike the other topics discussed previously, this topic does not affect accounting numbers in financial statements directly. Instead, it provides insights into the future profit pattern of entities in the notes, indirectly affecting entities and their stakeholders. Some lobbyists express full agreement with the proposed requirement without providing supporting arguments, while others, despite also expressing full agreement, offer reasoning to justify their position.

> *"We agree with the proposed additional disclosure requirements as it provides necessary information on the judgements used by entities."* (CL 18)

The quantitative disclosure requirement is the only topic for which lobbyists use arguments referring to competitive harm. Many lobbyists argue that this requirement may cause competitive harm as a result of disclosing sensitive information. However, this group appears divided, with some expressing greater concern about the requirement than others. Some firmly assert that the information is too sensitive to disclose, while others express concern that it might be sensitive and suggest that, if so, the disclosure requirement should be reconsidered or revoked. This reveals a tension between lobbyists in the perceived potential harm that this requirement could generate.

> *"… many insurers have expressed concerns with the disclosure under paragraph 109 that may disclose each entity's trade secret and competitive harm."* (CL 9)

> *"We are not opposed to the quantitative disclosure on the expected recognition in profit or loss of the contractual service margin, unless this information is considered as too sensitive to be disclosed."* (CL 110)

Further, lobbyists opposing the disclosure of quantitative information point out that disclosing qualitative information would offer the same level of information usefulness for financial statement users, indicating that they acknowledge the value of providing additional information to users.

> *"Providing qualitative information only can equally achieve the disclosure objective of IFRS 17 for this requirement"* (CL 32)

The IASB is of the view that the required disclosures are useful for financial statement users. In fact, stakeholders requested disclosures for future recognition of the CSM for them to more accurately assess entities' future profitability (IFRS 17.BC.363). Requiring entities to disclose information about the expected pattern of service provision to policyholders provides useful information for financial statement users (IFRS 17.BC.363), reducing the incentive for earnings management by enhancing transparency and accountability. Another benefit of the proposed requirement, according to the IASB, is that it mitigates the increased subjectivity following the

inclusion of investment-return services in determining coverage units for insurance contracts without DirPF, as discussed in Section 5.4.4 (IFRS 17.BC.283F).

> *"Many stakeholders suggested they would like to know when the contractual margin is expected to be recognised in profit or loss in future periods, because this information would be helpful in assessing future profitability. The Board agreed this information would be useful to users of financial statements."* (IFRS 17.BC.363)

Considering cost-benefit theory, Shipper (2010) suggests that standard-setters weigh the costs for entities to provide disclosures and the costs for stakeholders to interpret information against the benefits of providing it. Lobbyists who are concerned about the possibility of disclosing sensitive information can arguably be concerned about the potential harm, not acknowledging that there are benefits for other stakeholders such as users. This could explain why the IASB decided to retain the quantitative disclosure requirement in IFRS 17, despite resistance from lobbyists. Additionally, Sutton's (1984) theory can explain the cost-benefit considerations made by lobbyists when deciding to participate. Those who emphasize the problem of potentially disclosing sensitive information can be said to view the potential benefits of persuading the IASB into removing this requirement as outweighing the costs of lobbying. Those who instead suggest that the same level of information usefulness can be provided with qualitative disclosures can be said to consider the potential benefits as a reduced likelihood of competitive harm, which must again have outweighed the costs of lobbying for them to participate, according to Sutton (1984).

5.4.7 Arguments employed by lobbyists

Building on the in-depth analysis of lobbyists' argumentation presented previously, it is evident that they employ different types of arguments to support their positions in comment letters submitted to the IASB. Table 6 presents the arguments used by stakeholders in responses to Question 3, categorized based on previous studies as described in Section 4.4.1.

It is evident from Table 6 that a vast majority of lobbyists employed at least one argument in their responses to Question 3 and that only 6.7% did not use arguments at all. Almost 90% of the responses to the proposed amendments contained conceptual arguments, with only little over 10% of the submitters not using any form of conceptual arguments. Moreover, 34.4% of the lobbyists employed conceptual arguments in combination with other types of arguments. The majority of lobbyists did not employ economic, operational, or competitive arguments on their own. Operational arguments were more commonly used than economic arguments and arguments referring to competitive harm.

The results can be interpreted through legitimacy theory, which, as reflected in March & Olsen's (2011) "logic of appropriateness", suggests that organizations seek to align their behavior with what is considered to be appropriate behavior according to social structures such as rules and norms to be perceived as legitimate by stakeholders (March & Olsen, 2011). If they do not manage to act as expected, they will lose support from stakeholders and risk facing survival problems in the longer run (Meyer & Rowan, 1977). This can be compared to the case of lobbying towards the

IASB in a due process, where stakeholders strive to persuade the standard-setter. In order to succeed with this, stakeholders must be perceived as legitimate when presenting their arguments to the IASB or else it might not respond as desired. Without presenting arguments, stakeholders' views may not be perceived as legitimate by the IASB, making persuasion more difficult. This explains why most lobbyists used at least one argument to support their views.

	No argument				**Conceptual**			
	0		**1**		**0**		**1**	
	%	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Count**
Preparers	92.9%	26	7.1%	2	14.3%	4	85.7%	24
Regulators	91.7%	22	8.3%	2	12.5%	3	87.5%	21
Accounting profession	100.0%	21	0.0%	0	4.8%	1	95.2%	20
Actuaries/Consultants	92.9%	13	7.1%	1	7.1%	1	92.9%	13
Others	66.7%	2	33.3%	1	33.3%	1	66.7%	2
Total	**93.3%**	**84**	**6.7%**	**6**	**11.1%**	**10**	**88.9%**	**80**

	Economic				**Operational**			
	0		**1**		**0**		**1**	
	%	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Count**
Preparers	75.0%	21	25.0%	7	50.0%	14	50.0%	14
Regulators	87.5%	21	12.5%	3	66.7%	16	33.3%	8
Accounting profession	95.2%	20	4.8%	1	76.2%	16	23.8%	5
Actuaries/Consultants	85.7%	12	14.3%	2	64.3%	9	35.7%	5
Others	100.0%	3	0.0%	0	100.0%	3	0.0%	0
Total	**85.6%**	**77**	**14.4%**	**13**	**64.4%**	**58**	**35.6%**	**32**

	Competitive harm				**Conceptual AND other**			
	0		**1**		**0**		**1**	
	%	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Count**
Preparers	85.7%	24	14.3%	4	50.0%	14	50.0%	14
Regulators	95.8%	23	4.2%	1	70.8%	17	29.2%	7
Accounting profession	100.0%	21	0.0%	0	81.0%	17	19.0%	4
Actuaries/Consultants	100.0%	14	0.0%	0	57.1%	8	42.9%	6
Others	100.0%	3	0.0%	0	100.0%	3	0.0%	0
Total	**94.4%**	**85**	**5.6%**	**5**	**65.6%**	**59**	**34.4%**	**31**

Note: "0" = no; "1" = yes

Table 6. Arguments employed by lobbyists in responses to Question 3 in ED3

Moreover, given the IASB's objective of aligning accounting standards with the IFRS Conceptual Framework, conceptually grounded arguments are likely regarded as more legitimate by the IASB. This provides a plausible explanation for the high prevalence of conceptual arguments, as stakeholders may perceive them as more persuasive and consistent with the IASB's normative basis for standard-setting. Stakeholders who combine economic, operational reasoning, or competitive harm arguments with conceptual reasoning may do so strategically to enhance their influence. By making references to the Conceptual Framework, they increase the legitimacy of their submission, possibly increasing the likelihood of the IASB also considering their other arguments.

6. Discussion

This chapter connects the study's findings to those of previous research presented in Chapter 3. It highlights key similarities and differences, demonstrating how this study complements and contributes to the field of previous research.

6.1 Lobbying stakeholders, geographic spread, and positions held

The findings of this study show that all stakeholder groups identified by Arce et al. (2023) in earlier stages of the IFRS 17 due process are also represented among the lobbyists to Exposure Draft 3 (ED3). These are preparers, the accounting profession, regulators, actuaries/consultants and "others", the latter comprising financial analysts, investors, academics and individuals. As in previous research, preparers emerged as the most active group (Arce et al., 2023; Comiran & Graham, 2016; Giner & Arce, 2012; Hewa et al., 2018; Jorissen et al., 2012; Kosi & Reither, 2014; Rey et al., 2020; Ryan et al., 2000), submitting 39% of the comment letters. Although existing literature does not establish whether the type of standard influences lobbying participation, both Kosi and Reither (2014) and Arce et al. (2023) also identify preparers as the dominant lobbyist group in earlier stages of the IFRS 17 due process. Arce et al. (2023) find the same overall ranking of stakeholder activity, although the relative share of submissions differ from this study. Preparers and the "others" category account for a relatively smaller share of comment letters in this study, while the remaining stakeholder groups represent a larger proportion compared to Arce et al.'s (2023) findings. This confirms Rey et al.'s (2020) finding that other stakeholder groups than preparers tend to be more active in the later stages of a due process. In addition, it confirms the findings of Giner and Arce (2012), indicating that preparers were more active during the early stages while other stakeholder groups were more active later. However, in contrast to Kosi and Reither's (2014) finding that the accounting profession was the second most active group, this study finds regulators in that position, followed by the accounting profession.

On the other hand, the typical users (financial analysts, investors, etc. under "others") showed limited engagement in this study, accounting for only 6.5% of comment letters collectively. This is consistent with other studies (Arce et al., 2023; Georgiou, 2010; Jorissen et al., 2012; Kosi & Reither, 2014; Reuter & Messner, 2015; Sutton, 1984; Tutticci et al., 1994). One plausible explanation for this finding is that users are more likely to engage in lobbying during the earlier stages of the due process, when the standard-setter is still indecisive (Georgiou, 2004; Jorissen et al., 2012). However, both Arce et al. (2023) and Kosi and Reither (2013) find low user participation even in the earlier stages of the IFRS 17 due process.

Further, this study's results show that Europe is the continent with the highest number of lobbying stakeholders, consistent with Arce et al (2023) who studied the DP, ED1, and ED2 of IFRS 17. Similarly, Larson and Hertz (2013) identify respondents from Europe and G4+1 countries as the most active participants in multiple due processes. Jorissen et al (2013) provide a plausible explanation for this trend, suggesting that geographic diversity of lobbyists is affected by disparities

in participation costs, such as language barriers, unfamiliarity with IFRS principles, and limited knowledge of the IASB's due process. As a result, countries where stakeholders face fewer such obstacles are more likely to participate actively. However, as this study does not investigate the relationship between characteristics of lobbyists and participation, no conclusions can be drawn to confirm or deny the findings of Jorissen et al. (2013).

This study also examines the positions held by different stakeholder groups in their responses to the IASB's proposals in ED3, reflecting their differing attitudes towards the proposals. Multiple previous studies examine the relationship between the positions held and any arguments employed by lobbyists (Giner & Arce, 2012; Hoffmann and Zülch, 2014; Jupe, 2000; Reuter & Messner, 2015; Ryan et al., 2000; Tutticci et al., 1994). As this study presents lobbyists' positions and arguments but does not explore potential relationships between these variables, it is not possible to compare and contrast such findings with previous research. However, the positions identified in this study can be compared to those identified in previous research. In fact, prior studies examining the positions held by lobbyists identify three categories of positions: agree (support/for), disagree (oppose/against), and neutral (Arce et al., 2023; Giner & Arce, 2012; Hoffmann and Zülch, 2014; Jupe, 2000; Reuter & Messner, 2015; Ryan et al., 2000, Tutticci et al., 1994). This study contributes with an additional category labelled "partially agree", capturing attitudes stating an agreement but suggesting that further changes are necessary. Reuter and Messner (2015) also categorize arguments that include further suggestions separately, however they place all such arguments in the same category, regardless of whether they express agreement or disagreement. In contrast, this study considers arguments with further suggestions that accompany a disagreeing stance as overall expressions of disagreement.

6.2 Identified stakeholder tensions and arguments employed by lobbyists

The observed stakeholder tensions and lobbying argumentation strategies during the IFRS 17 due process confirm, contrast and complement the insights of previous studies. The findings suggest that comment letters serve as a persuasive tool for lobbyists, consistent with what Tutticci et al. (1994) suggest. In addition, the lobbying efforts from stakeholders affected by IFRS 17, the input from financial statement users, and the IASB's negotiations based on feedback received throughout the due process support Hjelström's (2005) view that the due process is both a political and a learning process. However, this study also identifies intra-organizational tensions that emerged during the implementation process of IFRS 17. This finding complements Hjelström's (2005) suggestion that a due process consists of a political process, a learning process, and an executive process. It indicates that the implementation process, beginning after a standard comes into force, is likewise shaped by input from various internal stakeholders within preparer organizations.

While some previous studies such as Reuter and Messner (2015) and Ryan et al. (2000) identify controversial issues or proposals in due processes based on lobbyists' stances, i.e. whether they agree, disagree, or remain neutral, this study goes further by analyzing the content of issues discussed and explores the reasoning behind lobbyists' positions. Stenka and Taylor (2010)

investigate concerns related to the concept of control and quantify the frequency of issues addressed in response to four EDs. Although they provide some insight into the content of comment letters, their broader scope limits the depth of analysis into the specific concerns raised. In contrast, this study narrows its focus to a single ED and a single question, allowing for a more in-depth examination of lobbyists' concerns. By employing a qualitative approach, it builds on and extends previous research, offering a deeper understanding of stakeholder perspectives within the IFRS 17 due process.

This study captures multiple stakeholder perspectives, including that of the standard-setter, in line with prior research (Arce et al., 2023; Hjelström, 2005; Jorissen et al., 2013). Through interviews with preparer organizations, it sheds light on challenges and internal tensions existent during the IFRS 17 due process. By contrasting stakeholder views, the study highlights tensions that are particularly relevant given the unusually prolonged development of IFRS 17, an aspect not emphasized in previous research. Kosi and Reither (2014) and Arce et al. (2023) also examine IFRS 17. However, Kosi and Reither (2014) focus on determining the characteristics of lobbying stakeholders without addressing the content of issues discussed in comment letters. Arce et al. (2023) identify key concerns related to insurance accounting: profit recognition, margins, and recognition of changes in discount rates, highlighting contrasting lobbyist attitudes on these issues. However, they do not examine the discussions surrounding these topics in depth. They note early discussions on profit recognition, aligning with this study's interview findings. This study contributes with a detailed analysis of comment letters submitted in response to ED3 of IFRS 17, showing that profit recognition via the Contractual Service Margin (CSM) remained a point of contention in later stages of the due process. While Arce et al. (2023) assess the IASB's responsiveness to lobbyists' suggestions, this study focuses on how it considers various stakeholder perspectives and responds to Arce et al.'s (2023) call for further research on ED3 of IFRS 17.

Moreover, the categories of arguments identified in this study differ somewhat from those identified in previous research. While several studies classify arguments as either conceptual or economic, treating responses without arguments separately (Giner & Arce, 2012; Ryan et al., 2000; Stenka & Taylor, 2010; Tutticci et al., 1994), others broaden the economic category into self-referential arguments (Hoffmann & Zülch, 2014; Jupe, 2000). In contrast, this study aims to capture a broader range of argument types without grouping those referring to different consequences into the same category. Although operational and competitive harm arguments could be considered self-referential, they are treated separately to reflect their distinct focus. In line with Ryan et al. (2000), who find that preparers are more likely to use economic arguments than other stakeholder groups, this study shows that preparers are the stakeholder group with the highest proportion of comment letters employing economic arguments. It supports Jupe's (2000) finding that financial statement users do not employ economic arguments, included here in the "others" category.

Consistent with previous research (Giner & Arce, 2012; Jupe, 2000; Reuter & Messner, 2015; Ryan et al., 2000; Stenka & Taylor, 2010; Tutticci et al., 1994), this study finds that conceptual arguments are the most common in comment letters. Unlike Reuter and Messner (2015) and Ryan et al. (2000),

it finds that responses without arguments are relatively rare. While Reuter and Messner (2015) find that only 10% of lobbyists combined economic and conceptual arguments, this study finds a higher proportion (34%) combining conceptual arguments with other types. Prior research suggests that conceptual arguments are more persuasive to standard-setters (Jupe, 2000; Reuter & Messner, 2015; Tutticci et al., 1994), possibly explaining why these are the most common arguments and why many lobbyists combine them with other, less legitimate, arguments. Reuter and Messner (2015) find an infrequent use of economic arguments, possibly because the economic implications of integrated reporting were unclear at the time of their study. Similarly, this study finds economic arguments to be relatively uncommon, though not as uncommon, possibly because IFRS 17 imposes more clear economic consequences for entities than integrated reporting.

Previous research on stakeholder participation in due processes is predominantly quantitative, focusing on lobbyists' characteristics and the timing of lobbying (Arce et al., 2023; Georgiou, 2010; Giner & Arce, 2012; Jorissen et al., 2012; Kosi & Reither, 2014; Reuter & Messner, 2015; Rey et al., 2020; Tutticci et al., 1994; Weetman et al., 1996). This study complements that work by using a qualitative approach to explore the specific concerns raised by lobbyists. Sutton's (1984) rational choice model of lobbying, typically applied by previous research to quantitative findings, is here used to interpret both the quantified findings of lobbying towards ED3 of IFRS 17 and the content of comment letters, showing how lobbyists weigh expected benefits against lobbying costs. In addition, this study introduces Schipper's (2010) cost-benefit theory to analyze the standard-setter's perspective, a theoretical lens not applied by the previous studies discussed in this paper.

Legitimacy theory further helps explain the findings of this study. Prior research suggests that the IASB maintains legitimacy by aligning its decisions with the majority of lobbyists' views without favoring any stakeholder groups (Arce et al., 2023; Giner & Arce, 2012; Hewa et al., 2018). This study applies the theory to show how the IASB considers diverse stakeholder perspectives, as reflected in BC, sometimes accepting them and sometimes not. Acknowledging all views serves to maintain the IASB's legitimacy. The theory also helps explain why different types of arguments are employed in comment letters. In line with prior studies (Hoffmann and Zülch 2014; Jupe 2000; Tutticci et al. 1994), this study finds that lobbyists frequently combine conceptual arguments with other types. It suggests that these combinations may enhance the perceived legitimacy of comments, building on previous studies proposing that combinations may increase influence on the standard-setter (Giner and Arce 2012; Stenka and Taylor 2010).

7. Conclusion

This chapter begins with a brief summary of the IFRS 17 case, followed by an overview of the study's main contributions to previous research. It concludes with a discussion of the study's limitations and suggestions for future research.

The development of IFRS 17 has been one of the most extensive and complex standard-setting projects undertaken by the IASB, driven by concerns over the lack of comparability and transparency in insurance accounting. Prior to the standard-setting initiative for insurance accounting, insurance contracts were accounted for differently across jurisdictions. The project encountered challenges, resulting in an interim standard, IFRS 4. However, IFRS 4 still caused inconsistent reporting and incomplete recognition of insurance liabilities across jurisdictions. The lack of uniformity led to difficulties for stakeholders, particularly users, in assessing insurers' financial performance and position. IFRS 17 was introduced to address these issues by requiring full balance sheet recognition of insurance obligations and revenue recognition aligned with the services provided. However, its standard-setting process was subject to extensive lobbying activity from a wide range of stakeholders with competing interests. This thesis investigates tensions during the due process of IFRS 17, with a particular focus on Exposure Draft 3 (ED3). It highlights key topics of debate and aims to understand both who lobbied and how they justified their positions, offering new insights into accounting standard-setting processes.

Previous research on lobbying has primarily taken a quantitative approach, often overlooking the actual issues raised in comment letters. Given this gap and the complexity of insurance accounting, this study addresses the following research question:

What tensions emerged in the IFRS 17 due process and how were these shaped by the IASB, by lobbyists, and within preparer organizations?

The content analysis of comment letters identifies tensions among lobbyists, expressing concerns regarding several aspects of the Contractual Service Margin (CSM), including the determination of coverage units, the scope of investment-return service, the quantitative disclosure requirement, the annual cohort requirement, and the use of a locked-in discount rate. Some proposals resulted in considerable disagreement among lobbyists. In other instances, there was broad consensus among lobbyists, but their unified position conflicted with the IASB's stance. The interviews reveal internal tensions between different professional groups within preparer organizations, as a result of differing levels of expertise in insurance accounting. Additionally, through an examination of the Basis for Conclusions (BC), the study finds multiple tensions between the IASB and stakeholders where they hold contrasting views regarding key aspects of IFRS 17 not seen in comment letters or raised in the interviews. These tensions mainly concern the reliance on changes in the liability for remaining coverage (LRC) as the basis for revenue recognition, as well as subsequent adjustments to the contractual service margin (CSM) arising from changes in estimates of future service, and from financing effects. Occasionally, lobbyists managed to influence the IASB in its decision-making, while in other cases the IASB persisted its view.

7.1 Contributions

This study contributes to the field of previous research in three main ways. First, it examines the due process of IFRS 17 with a particular focus on ED3, whereas prior studies have focused on the earlier stages of the process by examining the DP, ED1, and ED2. In doing so, it responds to calls for future research on ED3. In contrast to the previous research on IFRS 17 which analyzes comment letters, this study draws on multiple data sources, including BC, comment letters, and interviews. This approach provides a more comprehensive understanding of the due process, offering deeper insights than those derived from only comment letters. It also captures a wider range of perspectives, including that of the standard-setter and preparers' internal perspectives, rather than solely focusing on lobbyists. Moreover, the study draws on Sutton's (1984) cost-benefit theory of lobbying, which is widely used in prior research, and on legitimacy theory, which has also been applied in previous studies.

Furthermore, by analyzing the BC and comment letters, the study identifies not only tensions between the IASB and stakeholders, but also among lobbyists themselves. A large bulk of previous research contextualizes lobbying in various due processes, describing the lobbying stakeholders, geographical distribution, their characteristics, and the types of arguments employed by them. Some studies highlight controversial topics, but this study contributes with a broader view of lobbying, uncovering contrasting views within topics frequently discussed in comment letters. By conducting interviews, it reveals general tensions between specific stakeholder groups, particularly between actuaries and accountants, who held different views on the prescriptiveness of accounting principles in IFRS 17, the use of fair value measurement, and the concept of the Contractual Service Margin (CSM). The interviews further reveal internal tensions between different professional groups within preparer organizations, resulting from them not possessing the same level of knowledge about insurance accounting.

Lastly, the case study approach allowed the study to generate empirical new empirical findings compared to previous research. The study finds that lobbyists commented on several issues that were not explicitly addressed in ED3. A key empirical finding is that many lobbyists expressed concern about the annual cohort requirement in comment letters, even though the IASB did not specifically request feedback on this matter. While the topic was discussed in earlier stages of the IFRS 17 due process, its absence in ED3 indicates that the IASB did not intend to reopen the discussion because it had already decided on its view. Nevertheless, stakeholders viewed the issue as highly important and continued to lobby for a removal of the annual cohort requirement, ultimately resulting in a European exemption as decided by the EU Commission. This finding highlights that stakeholders strongly disagreed with the IASB, which was not willing to discuss the topic any further.

7.2 Limitations

This study is subject to certain limitations, primarily related to its design. First, only five interviews were conducted, limiting the depth of insight into the IFRS 17 due process. Nevertheless, compared to relying solely on BC and comment letters, the interviews offered valuable complementary qualitative context. While some interviewees provided global perspectives, all were employed by organizations operating in Europe, meaning that the tensions identified may not reflect those present in other geographical regions. However, the interviews aimed to enhance understanding of the IFRS 17 due process and tensions during it, not to achieve global representativeness. Additionally, the comment letters analyzed were submitted by lobbyists from a wide range of jurisdictions, mitigating potential geographic bias in the findings.

Second, as a single case study, the findings of this study are not broadly generalizable or transferable to other contexts. The focus on comment letters, which is only one form of lobbying, may overlook informal lobbying perspectives and viewpoints from underrepresented groups, particularly since preparers dominate comment letter submissions. However, prior research suggests that comment letters serve as a good proxy for broader lobbying activity (Georgiou, 2004), although this may not necessarily hold true in the case of IFRS 17.

Third, while BC reflects discussions throughout the entire due process, only comment letters responding to ED3 were analyzed. Consequently, some tensions that arose in earlier stages may have been overlooked. However, since previous studies have already examined responses to the DP and earlier EDs of IFRS 17, focusing on ED3 was considered more valuable for contributing with new and relevant insights to the field of research.

7.3 Suggestions for future research

As this is the first study finding tensions between actuaries and accountants in designing accounting principles, particularly for insurance contracts, the authors suggest continuing investigating this area in future research. A deeper analysis of these stakeholder dynamics could offer valuable insights for the IASB and enhance mutual understanding between the professions, who collaborate closely in preparing financial statements. Additionally, given the study's findings of internal tensions arising when implementing IFRS 17, the authors suggest exploring implementation processes of accounting standards, focusing on the operational complexities that arise and the tensions resulting from it.

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Appendices

Appendix 1: Relevant paragraphs cited from IFRS 17

Paragraph B119B:

Insurance contracts without direct participation features may provide an investment-return service if, and only if:

a) an investment component exists, or the policyholder has a right to withdraw an amount;
b) the entity expects the investment component or amount the policyholder has a right to withdraw to include an investment return (an investment return could be below zero, for example, in a negative interest rate environment); and
c) the entity expects to perform investment activity to generate that investment return.

Paragraph B101:

Insurance contracts with direct participation features are insurance contracts that are substantially investment-related service contracts under which an entity promises an investment return based on underlying items. Hence, they are defined as insurance contracts for which:

a) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items (see paragraphs B105–B106);
b) the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items (see paragraph B107); and
c) the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items (see paragraph B107).

Appendix 2: Illustrative examples from IFRS 17

Example 1 – Measurement on initial recognition

Illustrative example 1A to IFRS 17 demonstrates the initial recognition of a profitable group of insurance contracts. The key assumptions are:

- An entity issues 100 insurance contracts with a coverage period of three years. The coverage period starts when the insurance contracts are issued. It is assumed, for simplicity, that no contracts will lapse before the end of the coverage period (IFRS 17.IE.5).
- The entity expects to receive premiums of CU900 immediately after initial recognition; therefore, the estimate of the present value of the future cash inflows is CU900 (IFRS 17.IE.6).
- The entity estimates the annual cash outflows at the end of each year as follows (IFRS 17.IE.7):
  a) The annual future cash outflows are CU200 (total CU600). The entity estimates the present value of the future cash flows to be CU545 using a discount rate of 5 per cent a year that reflects the characteristics of those cash flows determined applying paragraph 36.
- The entity estimates the risk adjustment for non-financial risk on initial recognition as CU120 (IFRS 17.IE.8).
- In this example all other amounts are ignored, for simplicity (IFRS 17.IE.9).

The picture below shows how the entity will measure the group of insurance contracts on initial recognition. Since this calculation is used determine the insurance liability, future cash inflows are shows as negative (as they reduce the liability) and future cash outflows are shown as positive (as they increase the liability).

	Example 1A	
	CU	
Estimates of the present value of future cash inflows	(900)	
Estimates of the present value of future cash outflows	545	
Estimates of the present value of future cash flows	(355)	
Risk adjustment for non-financial risk	120	
Fulfilment cash flows[a]	(235)	
Contractual service margin	235	[b]
Insurance contract (asset) / liability on initial recognition[d]	–	
The effect on profit or loss on initial recognition is as follows:		
Insurance service expenses	–	
Loss recognised in the year	–	[b]

(IFRS 17.IE.10)

To explain this:

a) Paragraph 32 requires that the fulfilment cash flows comprise estimates of future cash flows, adjusted to reflect the time value of money and the financial risk related to those future cash flows and a risk adjustment for non-financial risk (IFRS 17.IE.10).
b) Applying paragraph 38, the entity measures the contractual service margin on initial recognition of a group of insurance contracts at an amount that results in no income or expenses arising from the initial recognition of the fulfilment cash flows. Consequently, the contractual service margin equals CU235 (IFRS 17.IE.10). This component prevents a day-one profit, which is not allowed under IFRS 17. In this example, the fulfilment cash flows (shown as negative) will result in a net inflow, meaning that the entitiy expects to make a profit from the group of insurance contracts. This amount equals the contractual service margin.
d) Applying paragraph 32, the entity measures the group of insurance contracts on initial recognition at the total of the fulfilment cash flows and the contractual service margin (IFRS 17.IE.10).

The risk adjustment for non-financial risk is shown as positive since it represents the compensation the insurer requires for taking on non-financial risk such as uncertainty in the amount or timing of claims, thus increasing the insurance liability.

Immediately after initial recognition, the entity receives the premium of CU900 and the carrying amount of the group of insurance contracts changes as follows (IFRS 17.IE.11):

	Example 1A
	CU
Estimates of the present value of future cash inflows	–
Estimates of the present value of future cash outflows	545
Estimates of the present value of future cash flows	545
Risk adjustment for non-financial risk	120
Fulfilment cash flows	665
Contractual service margin	235
Insurance contract (asset) / liability immediately after initial recognition	**900**

(IFRS 17.IE.11)

Example 6 - Additional features of the contractual service margin

Illustrative example 6 to IFRS 17 demonstrates adjustments to the contractual service margin of insurance contracts without direct participation features for (IFRS 17.IE.56):

- the changes in discretionary cash flows for insurance contracts that give an entity discretion over the cash flows expected to be paid to the policyholder, including determination of changes in those cash flows separately from changes in financial assumptions;
- the adjustments related to the time value of money and financial risks in a situation when the interest rate changes; and
- the amount recognised in profit or loss for the services provided in the period in a situation when the entity expects contracts in a group to have different durations.

This example demonstrates how coverage units are calculated to allocate the contractual service margin over time as revenue for insurance contracts without direct participation features which provide investment-return service to the policyholder. It contains excerpts from Illustrative example 6 to IFRS 17. The key assumptions are:

- An entity issues 200 insurance contracts with a coverage period of three years. The coverage period starts when the insurance contracts are issued (IFRS 17.IE.57).
- The contracts in this example (IFRS 17.IE.58):
  a) meet the definition of insurance contracts because they offer a fixed payment on death. However, to isolate the effects illustrated in this example, and for simplicity, any fixed cash flows payable on death are ignored.
  b) do not meet the criteria for insurance contracts with direct participation features applying paragraph B101(a) because a pool of assets is not specified in the contracts.
  c) provide an investment-return service applying paragraph B119B.
  d) provide both insurance coverage and investment-return service evenly over the coverage period of three years.
- The entity receives a single premium of CU15 at the beginning of the coverage period. Policyholders will receive the value of the account balance (IFRS 17.IE.59):
  a) if the insured person dies during the coverage period; or
  b) at the end of the coverage period (maturity value) if the insured person survives to the end of the coverage period.
- The entity calculates the policyholder account balances at the end of each year as follows (IFRS 17.IE.60):
  a) opening balance; plus
  b) premiums received at the beginning of the period (if any); minus
  c) an annual charge of 3 per cent of the sum of the account balances at the beginning of the year and premium received if any; plus
  d) interest credited at the end of the year (the interest credited to the account balances in each year is at the discretion of the entity); minus

e) the value of the remaining account balances paid to policyholders when an insured person dies or the coverage period ends.

- The entity specifies that its commitment under the contract is to credit interest to the policyholder's account balance at a rate equal to the return on an internally specified pool of assets minus two percentage points, applying paragraph B98 (IFRS 17.IE.61).
- On initial recognition of the group of contracts, the entity (IFRS 17.IE.62):
  a) expects the return on the specified pool of assets will be 10 per cent a year.
  b) determines the discount rate applicable to nominal cash flows that do not vary based on the returns on any underlying items is 4 per cent a year.
  c) expects that two insured people will die at the end of each year. Claims are settled immediately.
  d) estimates the risk adjustment for non-financial risk to be CU30 and expects to recognise it in profit or loss evenly over the coverage period. Applying paragraph 81, the entity does not disaggregate the changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.
- In Year 1, the return on the specified pool of assets is 10 per cent, as expected. However, in Year 2 the return on the specified pool of assets is only 7 per cent. Consequently, at the end of Year 2, the entity (IFRS 17.IE.63):
  a) revises its estimate of the expected return on the specified pool of assets to 7 per cent in Year 3.
  b) exercises its discretion over the amount of interest it will credit to the policyholder account balances in Years 2 and 3. It determines that it will credit interest to the policyholder account balances at a rate equal to the return on the specified pool of assets, minus one percentage point, ie the entity forgoes spread income of one percentage point a year in Years 2 and 3.
  c) credits 6 per cent interest to the policyholder account balances (instead of the initially expected 8 per cent).
- In this example all other amounts are ignored, for simplicity (IFRS 17.IE.64).

On initial recognition, the entity measures the group of insurance contracts and estimates the fulfilment cash flows at the end of each subsequent year as follows (IFRS 17.IE.65):

	Initial recognition	Year 1	Year 2	Year 3
	CU	CU	CU	CU
Estimates of the present value of future cash inflows	(3,000)	–	–	–
Estimates of the present value of future cash outflows[a]	2,596	2,824	3,074	–
Estimates of the present value of future cash flows	(404)	2,824	3,074	–
Risk adjustment for non-financial risk	30	20	10	–
Fulfilment cash flows	(374)	2,844	3,084	–
Contractual service margin	374			
Insurance contract (asset) / liability on initial recognition	–			

(IFRS 17.IE.65)

To explain this:

a) The entity calculates the estimates of the present value of the future cash outflows using a current discount rate of 10 per cent that reflects the characteristics of the future cash flows, determined applying paragraphs 36 and B72(a).

Applying paragraphs B98–B99, to determine how to identify a change in discretionary cash flows, an entity shall specify at inception of the contract the basis on which it expects to determine its commitment under the contract, for example, based on a fixed interest rate, or on returns that vary based on specified asset returns. An entity uses this specification to distinguish between the effect of changes in assumptions that relate to financial risk on that commitment (which does not adjust the contractual service margin) and the effect of discretionary changes to that commitment (which adjusts the contractual service margin) (IFRS 17.IE.66).

In this example, the entity specified at inception of the contract that its commitment under the contract is to credit interest to the policyholder account balances at a rate equal to the return on a specified pool of assets minus two percentage points. Because of the entity's decision at the end of Year 2, this spread decreased from two percentage points to one percentage point (IFRS 17.IE.67).

Consequently, at the end of Year 2, the entity analyses the changes in the policyholder account balances between the result of changes in financial assumptions and the exercise of discretion, as follows (IFRS 17.IE.68):

Policyholder account balances	As expected on initial recognition		Revised for changes in financial assumptions		Revised for changes in financial assumptions and the exercise of discretion	
		CU		CU		CU
Balance at the beginning of Year 1		–		–		–
Premiums received		3,000		3,000		3,000
Annual charge[a]	*3%*	(90)	*3%*	(90)	*3%*	(90)
Interest credited[b]	*8%*	233	*8%*	233	*8%*	233
Death benefits[c]	2/200	(31)	2/200	(31)	2/200	(31)
Balance carried forward to Year 2		**3,112**		**3,112**		**3,112**
Annual charge[a]	*3%*	(93)	*3%*	(93)	*3%*	(93)
Interest credited[b]	*8%*	242	*5%*	151	*6%*	181
Death benefits[c]	2/198	(33)	2/198	(32)	2/198	(32)
Balance carried forward to Year 3		**3,228**		**3,138**		**3,168**
Annual charge[a]	*3%*	(97)	*3%*	(94)	*3%*	(95)
Interest credited[b]	*8%*	250	*5%*	152	*6%*	184
Death benefits[c]	2/196	(35)	2/196	(33)	2/196	(33)
Balance at the end of Year 3 (maturity value)		**3,346**		**3,163**		**3,224**

(IFRS 17.IE.68)

To explain this:

a) The annual charge equals the percentage of the balance at the beginning of each year (including premiums received at the beginning of the year). For example, in Year 1 the annual charge of CU90 is 3% × CU3,000.
b) Interest credited each year equals the percentage of the balance at the beginning of each year minus the annual charge. For example, in Year 1 the interest credited of CU233 is 8% × (CU3,000 – CU90).
c) The death benefit equals the percentage of the balance at the beginning of each year minus the annual charge plus interest credited. For example, in Year 1 the death benefit of CU31 is 2/200 × (CU3,000 – CU90 + CU233).

The entity summarises the estimates of future cash flows for Years 2 and 3 in the table below (IFRS 17.IE.69):

	As expected on initial recognition	Revised for changes in financial assumptions	Revised for changes in financial assumptions and the exercise of discretion
	CU	CU	CU
Payment on deaths in Year 2	33	32	32
Payment on deaths in Year 3	35	33	33
Maturity value paid in Year 3	3,346	3,163	3,224
Estimates of the future cash flows at the beginning of Year 2	**3,414**	**3,228**	**3,289**

(IFRS 17.IE.69)

Applying paragraphs B98–B99, the entity distinguishes between the effect of changes in assumptions that relate to financial risk and the effect of discretionary changes on the fulfilment cash flows as follows (IFRS 17.IE.70):

Changes in the estimates of future cash flows in Year 2	Estimates of future cash flows	Estimates of the present value of future cash flows
	CU	CU
Beginning of Year 2 (present value discounted at 10%)	3,414 (a)	2,824 (b)
The effect of changes in financial assumptions (and interest accretion)	(186) (c)	195 (d)
Revised for changes in financial assumptions (present value discounted at 7%)	3,228 (a)	3,019 (b)
The effect of the exercise of discretion (present value discounted at 7%)	61 (e)	57
Revised for changes in financial assumptions and the exercise of discretion (present value discounted at 7%)	3,289 (a)	3,076 (b)
Payment of cash flows	(32) (a)	(32)
End of Year 2	**3,257**	**3,044**

(IFRS 17.IE.70)

To explain this:

a) See the table after paragraph IE69.
b) The entity calculates the estimates of the present value of the future cash outflows using a current discount rate that reflects the characteristics of the future cash flows, determined applying paragraphs 36 and B72(a). All the cash flows—other than the death benefit payable at the end of Year 2—are payable at the end of Year 3.

c) The change in estimates of future cash flows of CU186 equals the difference between the estimates of the future cash flows revised for changes in financial assumptions of CU3,228 minus the estimates of the future cash flows before the change in financial assumptions of CU3,414. Hence, it reflects only the change in financial assumptions.
d) The change in estimates of the present value of the future cash flows of CU195 is the difference between the estimates of the present value of the future cash flows at the end of Year 2 (revised for changes in financial assumptions) of CU3,019 and the estimates of the present value of the future cash flows at the beginning of Year 2 (before changes in financial assumptions) of CU2,824. Hence, it reflects the effect of the interest accretion during Year 2 and the effect of the change in financial assumptions.
e) The effect of the exercise of discretion of CU61 equals the difference between the estimates of the future cash flows revised for the exercise of discretion of CU3,289 and the estimates of the future cash flows before the effect of the exercise of discretion of CU3,228.

A possible format for the reconciliation of the insurance contract liability required by paragraph 101 for Year 2 is as follows (IFRS 17.IE.71):

	Estimates of the present value of future cash flows		Risk adjustment for non-financial risk	Contractual service margin		Insurance contract liability
	CU		CU	CU		CU
Opening balance	2,824		20	258		3,102
Insurance finance expenses	197	(a)	–	10	(b)	207
Changes related to future service: exercise of discretion	55	(c)	–	(55)	(c)	–
Changes related to current service	–		(10)	(107)	(d)	(117)
Cash outflows	(32)		–	–		(32)
Closing balance	**3,044**		**10**	**106**		**3,160**

(IFRS 17.IE.71)

To explain this:

a) Applying paragraph B97, the entity does not adjust the contractual service margin for a group of contracts for changes in fulfilment cash flows related to the effect of time value of money and financial risk and changes therein, comprising (i) the effect, if any, on estimated future cash flows; (ii) the effect, if disaggregated, on the risk adjustment for non-financial risk; and (iii) the effect of a change in discount rate. This is because such changes do not relate to future service. Applying paragraph 87, the entity recognises those changes as

insurance finance expenses. Consequently, the insurance finance expenses of CU197 are the sum of:

i. the effect of interest accretion and the effect of the change in financial assumptions of CU195 (see the table after paragraph IE70); and

ii. the effect of the change in the assumptions related to financial risk on the change in the discretionary cash flows of CU2, which equals:

1. CU57 of the present value of the effect of the change in discretion discounted using the current rate (see the table after paragraph IE70); minus
2. CU55 of the present value of the change in discretion discounted using the rate determined on initial recognition of the group of insurance contracts (see footnote (c)).

b) Applying paragraphs 44(b) and B72(b), the entity calculates interest accreted on the carrying amount of the contractual service margin of CU10 by multiplying the opening balance of CU258 by the discount rate of 4 per cent determined on initial recognition of the group of insurance contracts. That rate is applicable to nominal cash flows that do not vary based on the returns on any underlying items.

c) Applying paragraphs 44(c) and B98, the entity regards changes in discretionary cash flows as relating to future service, and accordingly adjusts the contractual service margin. Applying paragraphs B96 and B72(c), the adjustment to the contractual service margin is calculated by discounting the change in the future cash flows of CU61 using the discount rate of 10 per cent, which reflects the characteristics of the cash flows determined on initial recognition of the group of insurance contracts. Consequently, the amount of discretionary cash flows that adjusts the contractual service margin of CU55 is CU61 ÷ (1 + 10%).

d) Applying paragraphs 44(e) and B119, the entity recognises in profit or loss the amount of contractual service margin determined by allocating the contractual service margin at the end of the period (before recognising any amounts in profit or loss) equally to each coverage unit provided in the current period and expected to be provided in the future, as follows:

i. the amount of the contractual service margin immediately before allocation to profit or loss is CU213 (opening balance of CU258 plus interest of CU10 minus the change related to future service of CU55);

ii. the number of coverage units in this example is the total of the number of contracts in each period for which coverage is expected to be provided (because the quantity of benefits provided for each contract is the same). Hence, there are 394 coverage units to be provided over the current and final year (198 contracts in Year 2 and 196 contracts in Year 3);

iii. the contractual service margin per coverage unit is CU0.54 (CU213 ÷ 394 coverage units); and

iv. the contractual service margin recognised in profit or loss in Year 2 of CU107 is CU0.54 of contractual service margin per coverage unit multiplied by the 198 coverage units provided in Year 2.

Appendix 3: Interview guide

Note: The interview guide was tailored to fit each interviewee's expertise and experience as described in Section 4.2.2. Since all interviews were held in Swedish, it was originally written in Swedish but has been translated into English below.

Introduction:

1. Can you tell us a bit about yourself and your experience with IFRS 17?

IFRS 17:

2. How would you describe the accounting for insurance contracts under IFRS 17 briefly?
3. What is your general opinion of IFRS 17? Do you think the standard has solved the problems that existed with the previous standard (IFRS 4)?
4. Is there anything that you think does not work well or is not optimal with the standard?
5. For preparers: which are and have been the biggest challenges in applying IFRS 17?

The IFRS 17 due process and lobbying:

6. Were you or your organization involved in any way in the development process of IFRS 17? If yes, describe your/your organization's role.
7. What do you look for in an accounting standard in general? What did you look for in IFRS 17 specifically?
8. Did stakeholders or clients try to communicate their views (lobby) to your organization during the IFRS 17 development process? If yes, what did they mainly lobby for?
9. Did your organization lobby (individually or through another organization) during the due process? If yes, what did you lobby for and were you successful in achieving the outcome you were aiming for?
10. In your opinion, what were the main differences of opinion between different stakeholders during the IFRS 17 process?
11. Did different types of stakeholders (preparers, users, etc.) want the same thing or did they have different opinions?
12. Which technical aspects of IFRS 17 do you feel have been most debated/controversial?
13. Do you or did you see any difficulties or problems with the Contractual Service Margin (CSM) specifically?

Conclusion:

14. Is there anything else about IFRS 17 that you think is important that we have not already talked about?
15. Do you have any recommendations for other people we should talk to for additional perspectives?

Appendix 4: Artificial intelligence

Throughout the process of writing this thesis, ChatGPT was used for three purposes:

First, it was used to help navigate SPSS where tables were created with descriptive statistics. These tables are presented in Chapter 5 (Table 5 and Table 6). Moreover, SPSS was used to create figures displaying the data visually, also presented in Chapter 5 (Figure 4, Figure 5, and Figure 6).

Second, ChatGPT was used for spelling and grammar checks, and occasionally for suggesting alternative phrasing of complex sentences. It was not used to generate or write new content, but paragraphs written by the authors were pasted into ChatGPT to refine language. The tool was also used to translate certain expressions from Swedish to English. For example to translate "träda i kraft" into English, an expression used throughout the thesis to explain that a standard came into force. All suggestions provided by ChatGPT were reviewed carefully by the authors and compared with the original wording to ensure that meaning was retained and the text remained clear. The authors were cautious to avoid any rephrasing that could distort the originally intended message of paragraphs or sentences.

Third, an AI-based transcription tool (TurboScribe), was used to transcribe the interview recordings. Using this tool significantly reduced the time required for transcription. While TurboScribe generally provided detailed and comprehensive transcripts, occasional inaccuracies occurred due to variations in audio quality, necessitating review by the authors and some manual corrections after checking with the recordings.

In summary, AI tools served as support in writing this thesis to enhance efficiency and improve linguistic quality. ChatGPT assisted the authors in navigating the SPSS software and served as inspiration for enhancing the clarity and readability of the text, while TurboScribe streamlined the transcription of the interview recordings. It was observed that both AI tools can make mistakes by rephrasing sentences and expressions in ways that distort the intended message. Therefore, although they were used as supportive tools, it was essential for the authors to exercise critical judgment when considering suggestions from ChatGPT and transcribed material from TurboScribe.