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Factors affecting IFRS 17 implementation in the insurance industry: A case of Zambia

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Abstract
The research aimed at investigating factor affecting IFRS 17 implementation in the insurance industry in Zambia with the view of developing strategies that could enhance the IFRS 17 implementation. The implementation of IFRS 17 in the Insurance Industry has been long overdue though with challenges. A qualitative and descriptive research design was used targeting 13 insurance companies. Selective sampling and semi-interview guide were employed to gather data from participants. Data collected was analyzed using themes and verbatim transcriptions derived from interviews conducted in the field. The study established that 77% of the respondents were not adequately prepared to implement the IFRS 17 for several reasons all emanated from the challenges faced. This research found that generally much progress in the preparedness was evidenced among Multinational organizations as they are leveraging knowledge, skills, financial resources and technology from the group. The major challenges being faced include significant implementation costs; challenge of understanding the operational impact on data, systems and process; IT system and process development; first time implementation challenges and lastly insufficient time to implement. On challenges faced by prudential regulators, they include limited availability of technical expertise, first time implementation as well as adapting national regulations and frameworks to align with IFRS 17. The Study recommends a number of strategies aimed at enhancing Insurance companies and statutory bodies readiness to implement IFRs 17.

Keywords: Challenges, preparedness and implementation

Introduction

The year 2023 was pivotal for those insurers that adopted IFRS 17 and IFRS 9. IFRS 17 rewrites the rules book for insurance reporting and has presented significant changes to data, people, technology solution and investor relationship (Grant Thornton, 2017) [19]. The International Accounting Standards Board (IASB) has taken 20 years to complete the standard and the implementation date of the standard has been delayed twice. However, IFRS 17 implementation was effective beginning January 2023. For some years now, both developed and developing countries have adopted International Financial Reporting Standards (IFRSs) as their basis for financial reporting. The need for IFRS 17 arose due to the diversity in accounting practices used by insurance companies across different jurisdictions (Bhargara and Shah, 2021) [9].

Before IFRS 17, the previous IFRS standard on insurance contracts, IFRS 4 Insurance contracts, allowed entities to use a wide variety of accounting practices for insurance contracts, reflecting national accounting requirements (local GAAP) and variations in those requirements (IFRS, 2022). This diversity made it challenging for investors, analysts, and other stakeholders to compare and assess the financial performance and position of insurance companies. The objective of IFRS 17 is to address these challenges by improving the transparency, comparability, and relevance of financial reporting for insurance contracts. By establishing uniform accounting principles, the standard aims to provide users of financial statements with decision-useful information while enhancing the prudence and accuracy of reported results (Almansour, 2019) [6].

It is expected that IFRS 17 will significantly affect financial reporting in the insurance sector, especially since IFRS 4 allowed the use of different accounting treatment. Implementation of IFRS 17 requires preparation of different aspects such as software, risk management, human capital, accounting, tax law, instructions and regulation (Walid.O, 2021). This has all emanated from the fact that IFRS 17 has introduced a number of requirement including new measurement models and requirements for the presentation and disclosure of insurance contracts. In the new measurement models, one area of complexity with IFRS 17 is grouping of contracts that need to be significantly more granular and judiciously layered, in order to determine the measurement approach to use. Insurers will need to review all existing contracts their terms and conditions and economic substance in order to understand the impact on their firm. The accurate assessment of the contract boundaries that complies with the principles of IFRS 17 will be central to the grouping and the measurement of onerousness. This enhanced contract grouping imposes substantial challenges for both life and general insurance companies in relation to their data processes, actuarial and financial models and management information (KPMG, 2023).

It is obvious that IFRS 17 Insurance contracts will presents a fundamental shift in the reporting requirement in not only the Zambian Industry but to every IFRS reporting company all over the world. In Zambia, the impact of IFRS 17 will be felt by many stakeholders, including but not limited to PIA, Insurance Association of Zambia (IAZ), investors, analysts, those charged with governance, auditors and not forgetting and especially all companies with insurance contracts (Jeoh, 2017) [17]. The PIA is mandated to administer the Pension Scheme Regulation Act and the Insurance Act No 38 of 2021, hereinafter referred to as “the Insurance Act”.

There is definitely need for a better understanding of challenges in the implementation of IFRS, particularly in Zambia and to come up with a better structured approach in shaping the standard to a level that will make it implementable with fewer constraints.

Problem statement

The importance of implementing IFRS 17 in the Insurance Industry has been long overdue though with challenges. This has seen the implementation date of the standard being delayed twice. Similarly, most Insurance companies globally have still not implemented the standard including Zambia. A number of factors have been identified that affect the implementation of IFRS 17, and include among others: the complexity of financial reporting, lack of availability of competent specialists and high level of training costs (Deliottes, 2021; Walid Omar Owais and Ahmad A Dahiyat, 2021 [40]; Manea Salem, 2019; Ayaman and Momen, 2021; Zewdu, 2019). In Zambia, the PIA carried out an industry progress assessment at the end of 2022 that indicated that only 23% of the industry were ready for IFRS 17 implementation. In addition, a study by PWC Zambia (2021) found that the industry was not ready for IFRS 17 implementation with less than 12 months to go to the effective date from the date of issue of the report, it was reasonable to foresee a situation where industry will still not have implemented IFRS 17 at the effective date. Both studies do not focus on the factors affecting IFRS 17 implementation.

There is need for a better understanding of challenges in the implementation of IFRS, particularly in Zambia and to come up with a better structured approach in shaping the standard to a level that will make it implementable with fewer constraints.

It is against this background that the study seeks to investigate factors that affect IFRS 17 Implementation in the insurance industry in Zambia with the view to develop strategies that insurance industry should adopt to have effective implementation of the standard by way of conducting a descriptive study.

Objective of Study

1. To determine the preparedness of insurance companies to implementing the new IFRS 17: Insurance contract once it’s effected.
2. To assess the major challenges being faced by the Insurance Industry and prudential regulators in Zambia to implement the new IFRS 17 insurance contracts.
3. To develop strategies for the insurers/ insurance industry to enhance the implemention of IFRS 17

Literature review

1. History of the IFRS 17 project

In April 1997, the Board of the IASC approved a proposal that IASC should start a project on Insurance Accounting and a steering committee was appointed (IASB, 1999). IASB confirms that most stakeholders, including insurers, agreed on the need for a common global insurance accounting standard even though opinions varied as to what it should be.

According to IASB, the Board split the project in two phases as it was not feasible to complete the project in time for many entities that would adopt IFRS standards in 2005: Phase 1: completed in 2004 by issuing IFRS 4 Insurance Contracts- focused on enhanced disclosure of the amount, timing and uncertainty of future cash flows from insurance contracts. IFRS 4 allows insurance companies to continue to use various accounting practices, pending a fundamental reassessment of the accounting for insurance contracts; Phase 2: completed in 2017 by issuing IFRS 17- focused on the measurement and presentation of Insurance contracts and the development of a comprehensive IFRS Standard for insurance contracts.

As indicated above, IFRS 17 supersedes IFRS 4 and completes the Board’s projects to establish a specific IFRS model for the accounting for insurance contracts. IASB identified the following reasons for the need for an International Accounting Standard on Insurance Accounting; the insurance industry is an important and increasingly international industry. Furthermore, insurance industry accounting practices in a number of countries differed significantly from accounting practices used by other enterprises in the same countries; and International Accounting Standards (IAS) did not address specific insurance issues and it was not obvious how an enterprise should deal with these issues under IAS. In addition, certain existing IASs contained specific scope exclusions in these areas, in recognition of the need for further study of these issues.

In May 2017, the IASB released its long awaited IFRS 17 Insurance contracts, which replaces the interim standard IFRS 4. This marked the end of a multi- year process to produce the first comprehensive IFRS guidance for insurance companies. A study by Grant Thornton suggests that IFRS 17 could probably qualify for an entry in a book of records as the Standard that took the longest time to complete. The reflected contributions by thirty (30) full-time IASB members; and was completed by a new generation of standard setters (having been started under the IASC). Grant Thornton (2017) [19] reports that some of the reasons behind the lengthy completion included: very diverse local practices for insurance accounting; huge range of jurisdiction-specific products, tax implications and regulations that had to be captured by a uniform measurement model; Significant local regulatory impact on pricing and solvency that interfered with measurement principles and could not be ignored even though the objectives of the Standard setters and regulators were never meant to be fully aligned; Convergence effort with other standard setting bodies (e.g., the equivalent FASB project); Significant effort to align financial reporting principles to the economics of insurance products and related practices for asset-liability management.

2. Challenges in the implementation of IFRS 17

In Nigeria, a study by Muhammad (2012) reveals that challenges in adopting IFRS in Nigeria is the stock market. Quality reporting in less developed countries is very difficult to be achieved as compared to developed countries like US and UK and even some developing countries like South Africa and Mexico. The immaturity of the market scared away investors into the country, as reporting system provides not much protection to investors.

The PWC Zambia survey for the Zambian Industry explain that the imminent introduction of IFRS 17 insurance contracts will increase the level of complexity already associated with insurance (2019). The insurers will have to depend on technology like never before and the recent introduction of IFRS 9, IFRS 17 and other complex accounting rules under IFRS will pose significant challenges for insurers (KPMG & Deloittes.2018). Organizations are looking to transform their IT operations to suit new business goals, dynamics, accounting and regulatory measures (KPMG & Deloittes).

In a survey of 20 regulatory authorities carried out by the International Monetary Fund (IMF) and Bank of International Settlement (BIS), supervisors in surveyed jurisdiction saw IT changes, costs, and a shortage of actuarial and accounting expertise as posing the most challenges for insurers' IFRS 17 implementation (2020). According to this study, some supervisors expected changes to product offering and pricing while others cited no material impact. Supervisory authorities need to monitor the implementation projects of insurance corporations in their jurisdiction and, if needed suggest actions to mitigate operational risks and to reduce the effects of adverse changes in markets and product portfolio (ESRB.2021). With the coming of IFRS 17 Regulators, therefore have two options: Adopt a regulatory approach from IFRS 17 (EUROPE Solvency II, RSA, SAM) or Use IFRS financial statements as the regulatory financial statements (Canada OSFI).

In Zambia the PIA, wishes to integrate with IFRS 17 where possible and achieve consistency over all Zambian Insurers in the approaches adopted. The Authority has since issued new solvency guidelines in attempt to align with IFRS 17. It is clear that IFRS must be implemented in insurance jurisdictions across the globe. The International Monetary Fund (2019) recommended that policymakers must continue to strengthen regulatory frameworks and increase reporting transparency. PIA carried out an industry progress assessment at the end of 2022 that indicated that only 23% of the industry were ready for IFRS 17 implementation (PIA- Circular, 2022). In 2023, PIA carried out another Industry progress assessment and the report showed that the average progress towards full implementation increased to 35.2% (PIA -Circular No. C24 – IFRS 17, 2023).The PIA industry progress asessment report (2023) reports that the criteria used to assess the progress was informed by the understanding of the key steps entities needed to carry out to effectivley achieve full implementation as outlined by the PIA Implementation roadmap issued to the industry as well as benchmarking against common best practice in the industry. It is evident that despite an improvement in the implementation progress the results indicate that the industry may still not be ready for the implementation.

A study by Jordanian Insurance Companies found that the biggest challenge for applying IFRS 17 is the data challenge, followed by the first time implementation challenges and then, the systems challenge (Walid & Dahiyat. 2021). The European Union has published a Commission Regulation endorsing IFRS 17 'Insurance Contract', albeit with an exemption regarding the annual cohort requirement (Deloittes, 2021). The regulation provides an optional exemption from applying the annual cohort requirement that relates to the timing of the recognition of the profit in the contract, the contractual service margin, in profit or loss. Deloittes explains that entities making use of the exemption are not applying IFRSs as issued by IASB and need to disclose the fact in the notes of the financial statements.

Grant Thornton International Limited comment that implementation costs are likely to be substantial especially for these entities which cannot leverage modelling and reporting capabilities created during Solvency II implementation (2017). BDO International *et al* report that the IFRS 17 project competes with other projects for limited resources internally and within the industry, which will put extra pressure on the timely and quality of implementation (2020).

PWZ Zambia (2019) survey show that respondents ranked the lack of skilled resources as the fifth most pressing problem the face. In interviews, a number of Zambian companies said they believed the lack of skilled resources was due to the absence of a comprehensive insurance curriculum amongst local higher learning institutions (PWC Zambia.2019). The Zambian Insurance Industry believe that the imminent enforcement of IFRS 17, a fairly technical standard, will only add to these challenges.

Laura Gray KPMG Principal in the United States explain that before you start on the IFRS 17 implementation project, you worry about the budget and once you're started, you're more worried about the scarcity of skilled people and the complexity as there is a genuine fear in industry that skilled people with get poached by competition (KPMG.2017). BDO International *et al* (2020) found that insurers whose accounting function has historically operated relatively independently from the actuarial or other business functions will find that the new measurement requirement under IFRS 17 will require cross- functional interaction that may have not been necessary in the past (2020).

The report by Mckinsey and Company (2019) indicates that internal capabilities is one major challenges and leaders must ensure all teams across the organization have the right capabilities to manage their business units' performance under. If insurers fail to properly manage the complexity and volatility introduced by IFRS 17, they stand to face two major challenges. Mckinsey and Company believe that there could be dramatic decrease in transparency around financial performance, which make it difficult for investors to accurately value insurers and secondly insurers that mismanage IFRS 17 implementation are likely to incur extensive cost overran (Mckinsey & Company.2019). Mckinsey & company suggests that executives should proactively develop a comprehensive strategy that includes organization- wide capability building to ensure they can deliver a strong financial performance once IFRS 17 goes live (2019).

Research gaps based on previous studies, research methods, sample and data collection

The following sources are considered the most useful and pertinent to this study. They provide the back ground to the study and trace the various concepts used in this topic area. In this section the report describes the research methods, samples and data collection used by various literature review hence establishing the gaps.

The study done by PWC (2019) focused on 2019 Zambia Insurance Survey. The outcome of the study were that insurance industry is not ready for the implementation of IFRS 17. The study did not at look at the challenges the industry is facing with the implementation of IFRS 7, hence the gap.

In the 2019 Zambia Insurance Survey was done by PWC Zambia on the insurance Industry with the aim to shine a light onto the industry in order to help stakeholders better understand the current state of affairs. The study adopted a descriptive approach (qualitative approach with some descriptive statistics) as demonstrated below. Of the 33 companies surveyed,19 responded (58percent) and according to the available industry information from PIA and IIA, the respondents have an estimated market share of 75percent.

The study by Deloittes (2018) aimed at providing a comprehensive overview of how global insurers are reacting to and preparing for the adoption of the standard for the implementation date 1st January 2021. The research adopted a qualitative method approach with descriptive analysis. Deloittes (2018) report found that from the survey of 340 senior insurance finance, actuarial and Information Technology (IT) executives highlight a material change in attitude towards the preparation for the adoption of IFRS 17 compared to their previous survey in 2012 and 2013. They explain that many insurers are becoming more and more occupied with ensuring their businesses meet compliance by 2021. The European Union has published a Commission Regulation endorsing IFRS 17 ‘Insurance Contract’, albeit with an exemption regarding the annual cohort requirement (Deloittes, 2021).

Get ready for IFRS 17 -Grant Thornton (2017) [19] published an article with the objective of highlighting the fundamental change to the reporting of insurance contracts. Grant Thornton explains that a strategic approach to IFRS 17 transition can give CFOs powerful insight on risk and performance drivers and create an agent for change that will harness the resources of entities and the talent of their people. A qualitative method approach with descriptive analysis in form of questionnaire was adopted.

Jordanian Insurance Companies (2021) focused on examining the readiness of Jordanian Insurance companies to apply IFRS 17, and to shed light on the challenges of implementing IFRS 17 in Jordanian Insurance companies, which comprise of 24 insurance companies. The study population represents all 24 Jordanian insurance companies, for which 144 questionnaires were distributed to employees of the financial department using a simple random sample method. From these, 129 questionnaires were retrieved (89 percent response rate) and six questionnaires were excluded as incomplete. Thus, the final sample comprised 123 questionnaires valid for statistical analysis (85percent of the distributed questionnaires). The study developed a questionnaire based on prior related studies, and in the light of IFRS 17, study used different statistical methods and techniques such as mean, standard deviation and t-test to achieve its goals. The study used a mixed approach.

Theoretical and conceptual Framework

There are a number of theoretical standpoints from which implementation of IFRS 17 among insurance companies would be viewed and explained. Decision usefulness theory, agency theory and Mckinsey 7s theory was used to understand the phenomena.

1. Decision Usefulness Theory

The decision usefulness theory emphasizes the importance of providing financial information that is relevant and helpful for making informed business decisions. Decision-usefulness theory of accounting in the 1950s, provided orientation for all accounting and financial reporting options (Wild, 2008) [41]. According to this theory, the main objective of financial statements is to provide information helpful in making investment decisions. The key to decision utility theory is the goal of deterministic utility and considers that as the basis for building a coherent and pervasive structure of ideas (Decision Usefulness Approach, 2009).

The Decision-usefulness theory is used as the foundation theory for developing the current IFRS accounting framework and accounting standards in many countries. This theory emphasizes that the fundamental task of financial statements is to provide valuable and relevant information for users to make economic decisions (Scott, 2009) [37, 38]. At the same time, this theory also addresses the concept of cost-benefit balance, an important aspect to consider when setting standards. This theory explains the goal of developing high-quality IFRSs to help investors and others make sound economic decisions considering the transition costs and benefits of applying IFRS (Godfrey, 2006).

2. The McKinsey 7-S Model

The McKinsey 7-S Model is a change management framework based on a company’s organizational design. It aims to depict how change leaders can effectively manage organizational change by strategizing around the interactions of seven key elements: structure, strategy, system, shared values, skill, style, and staff (Channon and Cooper, 2015) [3]. The model highlights that there exists a domino effect when any one element is transformed to restore effective balance. The central placement of shared values emphasizes that a strong change culture impacts all the other elements to drive change.

This theory suggest that, there is need to identify which elements of the 7-S framework that need to realign to improve organizational performance or to maintain alignment and performance during other changes such as restructuring, process improvement, a corporate merger, new software implementation, or a leadership change (Hayes, 2014) [1]. The model is most often used as an organizational analysis tool to assess and monitor changes in the internal situation of an organization.

IFRS 17 implementation does not only affect financial reporting but also operations, as new / upgraded technology need to be used, the requirement of granular data will require new processes and the complexity of the standard will require new skills especially in actuarial and data management. Mckinsey 7s can be used to understand the changes in processes, new system and skills that have come as a result of IFRS 17 to ensure that the impact of the changes made are taken into consideration.

3. Agency theory

Jensen and Meckling (1976) developed agency theory. They suggested a theory of how the governance of a company is based on the conflicts of interest between the company’s owners (shareholders), its managers and major providers of debt finance. Agency theory is a principle that is used to explain and resolve issues in the relationship between business principals and their agents (Eisenhardt, 1989). Most commonly, that relationship is the one between shareholders, as principals, and company executives, as agents. An agency, in broad terms, is any relationship between two parties in which one, the agent, represents the other, the principal, in day-to-day transactions (Austin,

2001) [5]. The principal or principals have hired the agent to perform a service on their behalf.

Agency theory is one of the important organizational theories that has a great impact on contractual arrangements between any principal with any agent, whether they are individuals or legal entities working together. Agency theory, not only helps to understand why organizations are formed and in what ways and what types of services a full time recruitment is suitable, but also it helps us to understand in which conditions output-based contracts are suitable ones (Jensen and Meckling, 1976).

Agency theory suggest that implementing IFRS requires addressing challenges to ensure that the financial reporting accurately represents the organization's performance while aligning the interests of the principal and agent. Effective communication, strong monitoring systems, and clear objectives can help mitigate these challenges and promote a successful adoption of IFRS (Austin, 2001) [5]. Hence, this theory helped the research to position the study on the challenges insurance companies face in implementing IFRS 17.

Results

1. The readiness of insurance industry to implement IFRS 17

The study established that the implementation of IFRS 17 is too vast that it requires adequate preparation and most of insurance companies are not ready to navigate these complexities. The study found that IFRS 17 is a complex accounting standard that not only requires significant changes to insurance companies' financial reporting processes but also its operations. Another important finding was that the contract grouping required under IFRS 17 imposed challenges for both life and general companies in relation to data process, financial models, actuarial and management information. Thus implementing the new standard requires a thorough understanding of the requirements, re-evaluation of existing systems and processes, and potentially substantial investments in technology and resources. Similarly, the study in Jordanian by Wilad and Ahmad (2021) [40] found that insurance companies were not ready for IFRS 17.

The study established that most insurance companies began their implementation journey late and nearer to the implementation date. The findings resonates with those of Zewdu (2019) in Ethiopia, who concluded that adequate time is required to implement different approval principles. This was also similar to the findings by Macmillian (2018) where more than 70% of the respondents confirmed that the planned on deferring the adoption of IFRS 17.

The results were that insurance companies have limited resources thus implemention of IFRS 17 was described to be unready. The IFRS 17 need adequate resources including adequate budgeted resources for the implementation process and skilled employees in order to meet the demands that comes with the process. Similarly, various research findings found that significant part of insurers’ budget was allocated to implementation costs, which have increased further as companies gain better insight into what is involved (KPMG, 2018; Deloittes, 2019 and Grant Thornton, 2017) [19].

The results shows that most insurance companies were not prepared to implement the IFRS because the process requires updating or replacing legacy systems which is a time-consuming and expensive process. Palmer and Scott, (2020) [37, 38] contains that although IFRS 17 is progressive most insurance companies are not yet ready for the implementation because of the costs associated with it. Similarly, in Jordan, Wilad and Ahmad (2021) [40] study showed a moderate level of readiness for technical infrastructure, changes to the nature of work, funding including material resources, and human resource familiarization and rehabilitation to apply IFRS 17.

The results of the study also reveal that lack of adequate knowledge among staffs from both insurance companies and prudential regulators were unprepared to implement the IFRS 17. The results of implementation of a new accounting standard involves training and educating staff members and most of firms had no capacity to do so. This finding corroborates the ideas of Wilad and Ahmad (2021) [40] who suggested that in Jordan companies have a low level of readiness in studying the impact of applying IFRS 17 in their financial reports, and a low readiness in developing new internal monitoring methods. Further, the study findings are consistent to the research by Grant Thornton (2017) [19] that showed that staff training, management education and communication with investors will be crucial for achieving the standards objectives.

The study findings are consistent with the Model-7s, which suggests that for a company to perform well, it needs to align following changes in technology, skilled personnel and processes. The study results reveals that IFRS 17 implementation does not only affect financial reporting but also the operations of the insurance company. Therefore, there will be need to realign systems, skills and process in the journey for preparing for IFRS 17 implementation in order to improve company performance and effective IFRS implementation. Insurers will need to review their strategy to ensure the align to the noted changes.

2. Difficulties faced by the insurance industry and prudential regulators in implementation of IFRS 17

The results of the study reveal that costs attached to the implementation process of IFRS 17 was unbearable to insurance companies. The results of the study further indicated that these costs involves: incorporation of an enterprise wide workflow process automating the collation of data from multiple input systems. This maybe purchase of a new technology or upgrading legacy system both of which were insurers greatest cost; hiring of skills, training and consultancy costs; The implementation cost of IFRS 17 is a challenge faced by insurance industry and prudential regulators such as technology in quest to implement the IFRS 17 compliance. Similarly, a study done in Ethiopia by Zewdu, (2019) concluded that complexity of financial reporting, lack of availability of competent specialist and high level of training costs are major challenges of facing insurance companies to adopt IFRS.

The results of the study were that understanding the operational impact on data, systems and process was second challenge. The comprehending of operation on data and system as well as the process is a hurdle towards the implementation of IFRS 17. The study showed that the requirement by the standard to have data granular to policy level possess a challenge on data integrity. Insurance Companies applying IFRS 17 will need to re-measure its estimates at each reporting period using current assumptions, which will require significant effort and new processes and controls in actuary, risk and accounting. This was consistent to finding by PWC Zambia (2019). The findings also collaborate with those of KPMG (2023) international that showed that identifying, sourcing, integrating, cleansing and storing high- quality data is yet to be adequately addressed by many insurers. Insurers are also realizing that the technology the selected may require more substantial configuration and tailoring effects than expected.

First time implementation challenge of the new systems changes hinders the implementation of IFRS 17. Similarly, a study by Jordanian Insurance Companies found that the biggest challenge for applying IFRS 17 is the data challenge, followed by the first time implementation challenges and then, the systems challenge (Walid & Dahiyat. 2021). In Saudi Arabia Ayman and Momen (2021) concluded that implementation of IFRS 17 faced challenges ranging from ever changing and expensive to implement. Companies find it difficult to implement IFRS 17, as they do not have the experts who would help in preparing financial standards due to the shortage of accountants with the knowledge about IFRS also resistant by elderly accountants who were comfort to old system. The study findings also shows that first time implementation is also a challenge with the PIA as the work on aligning the regulation to IFRS 17 requirements. This is consistent with a research by Toronto Center which showed that aligning compliance of the IFRS 17 standard with other local regulatory framework is also a challenge following first time implementation of the standard.

The current study found that, time allocated toward the implementation of IFRS 17 is not enough. Yamani and Almasarwah, (2019) [42] explains challenges are the first time cost of implementation of the new accounting standards and training of professionals and regulators on the IFRS. Another important finding was that lack of skilled resources and training would significantly affect the IFRS 17 implementation especially actuarial and data management skills. Almansour, (2019) [6] resolved that the main challenges with the implementation of IFRS 17 in most countries has been the shortage of persons with the necessary skillsets, along with the risk of hiring resources that would be redundant post implementation. Similarly, a survey in India, Moh *et al*. (2016) reports that IFRS are formulated by International Accounting Standard Board (IASB) that poses a challenges on training and education. The single most striking observation to emerge from our interviews was that they was fatigue and burn out among staff. The study concluded that implementation process of any new change requires that players have adequate knowledge.

The findings were that rushing to adopt IFRS 17 without adequate time for testing and validation is a major challenge in implementation of IFRS 17 leading to misstatements or errors in the financial statements, potentially damaging the organization's credibility. Michelle el at (2020) concluded that the implementation challenges of IFRS 17 is lack of expertise with the standard which include difficulties in interpreting the standard, communicating the accounting results to certain parties such as the board of directors, and the short time frame for having the necessary infrastructure up and running.

The results were that insufficient time allocated made it difficult for organizations to fully understand and comply with the complex requirements of IFRS 17. ESRB (2021) report indicates that time pressure may force some insurance corporations to rely initially on manual controls, potentially resulting in higher costs and creating operational risk. The survey by PWC (2019) contains that lack of skilled resources and training is the most pressing problem of implementing IFRS being faced by insurance companies.

The study finding was consistent to the decision usefulness theory which explains that the main objective for IFRS is to provide financial information that is helpful in making investment decisions. The study findings found that indeed the full implementation of IFRS 17 will enhance transparency following requirement such as granular disclosure of insurance contracts, treatment of onerous contracts and the recognition of premiums. However, at the same time decision usefulness theory also addresses cost benefit balance. The study finding are not consistent to the decision usefulness theory in this regard, which suggests that before setting a standard, there should be: a cost benefit analysis performed. The results indicate that the number one challenge with the implementation is significant cost of implementation.

The study results was also not consistent with the Agency theory, which suggests that IFRS should align the interests of the principle and agents. The study findings found that there was not sufficient consultation with the insurance companies on the standard. Further, very little time was given to the industry to provide feedback during the consultation for the solvency II regulations. Majority of the respondents were of the view that standard benefits the investors and insurers have no choice but to move with the implementation because it is here.

3. Strategies to be put in place by insures to ensure implementation of IFRS 17

Insurance companies are also expected to continue incurring costs in applying IFRS 17 on an ongoing basis (IFRS, 2017). The Board explains that these costs are mainly expected to arise from gathering the necessary information to update assumptions for measuring insurance contracts on a current basis. It is evident that insurance companies will not be able to totally avoid these costs.

The results of the study reveal that Insurers have long-term goals, thus streamlining services and investing in skills can improve implementation of IFRS 17 while minimizing cost. Streamlining services and investing in skills involves investing in actuarial skills, Knowledge transfer from consultants including auditors, hiring a skilled Information Technology team and involve streamlining existing processes. Insurance companies should consider investing in skill IT team to facilitate upgrade of technology when need be and one that can possibly updgrade the current technology. Similary, a study was done in Kenya by Mungai (2022) that concluded that the option of external consultants is unaffordable for my companies. This finding is in agreement with Mckinsey (2019) findings which showed that adequate preparation and regular reinforcement will further help teams effectively manage new KPIs under IFRS 17. The study results found that an implication on investing in skill is the possibility of staff burn out.

The results were that the PIA should provide oversight and guidance to standardize some aspects of the standard requiring judgement. Similarly, a study by Mungai (2022) concluded that there maybe further guidance on the non-prescriptive aspects of the standard such as setting of discount rates and risk adjustment calculation method. An interview with known Actuaries indicated that South Africa regulars have also provided guidance and publish a month yield curve. Further, the results were that it would be beneficial for PIA to join regional groups of supervisors to collaborate, share resources, and undertake joint projects, such as standardizing forms and capital adequacy requirements and developing model wordings similar to the conclusion made by Toronto Centre (2020).

The results also reveals the need for promotion of actuarial skills in Zambia. PIA, ZICA and Actuarial Societies of Zambia should collaborate to promote the importance of actuarial studies in Zambia. Nigeria Muhammad, (2017) concluded that the government needed to have IFRS in the university and other tertiary institutions accounting curriculum that will inculcate the IFRS studies. Similarly, a study by Toronto Centre (2020) concluded that regulators and supervisors should collaborate with accounting bodies, actuarial associations and industry towards a common understanding and to address the issues and risks involved in implementing IFRS 17.

Recommendations of the study

Based on study findings the following recommendations were suggested;

1. There is need to continuously offer training, engagements and workshops by the PIA to the insurance companies to equip them with relevant information that will help understand the IFRS 17 in fullness.
2. The insurance companies should engage and collaborate with relevant stakeholders and have a round table discussion on these challenges impeding the implementation of IFRS 17 on how they can be resolved.
3. Regulators and insurance companies should ensure continuous close monitoring and regular assessments of future operational challenges and alignment of market practices with best practice.
4. Insurance companies should consider streamlining services and investing in skills like actuarial and IT skills could improve implementation of IFRS 17 while minimizing cost. The insurance companies should have in place deliberate strategies that enhance knowledge transfer from the consultants and invest in a highly skilled IT team. Investment in a highly skilled IT team will save insurance companies cost on Off The Shelf (OTS) technology solutions.
5. PIA should provide oversight and guidance to standardize some aspects of the standard requiring judgement and consider to join regional groups of supervisors to collaborate, share resources, and undertake joint projects, such as standardizing forms and capital adequacy requirements and developing model wordings

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