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The Role of the International Accounting Standard IFRS 18 (Presentation and Disclosure in Financial Statements) in Improving the Financial Performance of Iraqi Insurance Companies / An Analytical Exploratory Study

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A B S T R A C T

This study took on the task of exploring the role of the International Financial Reporting Standard 18 IFRS in improving the financial performance of Iraqi insurance companies. The research sample designed for the study included (35) individuals whilst the questionnaire was used as a tool for collecting field data. The statistical program (SPSS V.26) was adopted where a set of statistical tools were used and these ranged from frequency distributions, arithmetic means to standard deviations, response rate, correlation and linear regression relationships. It also adopted a set of hypotheses in order to assess the role and impact of IFRS18 in improving financial performance at the level of the respondent company. . After the statistical treatments that were subjected to the applied data, a number of conclusions were reached. The most important of which is that the application of IFRS18 will improve the interpretation of complex financial information. It will also help to understand it, thus contributing to the clarification and understanding of financial reports. Moreover, it will increase their comparability and understanding by users. The research provided a set of recommendations. These include the need for the respondent company to prepare the necessary infrastructure to apply the standard from human resources and accounting systems. The study also recommended the prospect of developing financial indicators in order to evaluate performances that are in agreement with the data of the IFRS18 standard



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دور معيار المحاسبة الدولي IFRS 18 ((العرض والإفصاح في البيانات المالية)) في تحسين الأداء المالي لشركات التأمين العراقية / دراسة استطلاعية تحليلية

المستخلص:

تناولت هذه الدراسة استكشاف دور المعيار الدولي لإعداد التقارير المالية رقم 18 (IFRS) في تحسين الأداء المالي لشركات التأمين العراقية. وبلغت عينة البحث (35) فردًا، بينما استُخدمت الاستبانة كأداة لجمع البيانات الميدانية. وتم اعتماد البرنامج الإحصائي (SPSS V.26) حيث استُخدمت مجموعة من الأدوات الإحصائية، تراوحت بين التوزيعات التكرارية، والمتوسطات الحسابية، والانحرافات المعيارية، ومعدل الاستجابة، ومعامل الارتباط، وعلاقات الانحدار الخطي. كما اعتمدت الدراسة مجموعة من الفرضيات لتقييم دور وتأثير المعيار الدولي لإعداد التقارير المالية رقم 18 في تحسين الأداء المالي على مستوى الشركة المستجيبة. بعد المعالجات الإحصائية التي خضعت للبيانات المطبقة، تم التوصل إلى عدد من الاستنتاجات، أهمها أن تطبيق المعيار الدولي لإعداد التقارير المالية رقم 18 سيُحسن تفسير المعلومات المالية المعقدة، وسيساعد على فهمها، مما يُسهم في توضيح وفهم التقارير المالية، ويزيد من قابليتها للمقارنة وفهمها من قبل المستخدمين. قدّم البحث مجموعة من التوصيات، منها ضرورة قيام الشركة المُستجيبة بإعداد البنية التحتية اللازمة لتطبيق المعيار من موارد بشرية وأنظمة محاسبية. كما أوصت الدراسة بتطوير مؤشرات مالية لتقييم الأداء تتوافق مع بيانات المعيار الدولي لإعداد التقارير المالية رقم 18.

Introduction

The global business environment is characterized by risk and uncertainty in light of the technological and information conflict between companies worldwide. The insurance industry plays a very important role in transferring the burden of these risks and maintaining the financial stability of companies and global markets. Insurance companies are among the most important investors in financial markets with the funds resulting from insurance premiums as well as close contact with banks and other financial institutions. Because the business world is changing so quickly and people who use financial statements are asking for more, international accounting standards need to be improved to make sure that financial information is clear, high-quality, and complete. These changes increase the confidence in financial markets from the perspective

decision-makers and investors. And these standards, mainly the standards of International Financial Reporting are the most important ones when it comes to enhancing the way in which financial information is presented. They are also considered a main component in making the environment of the accounting disclosure better and in sustainably supporting finance.

In April 2024, the International Accounting Standards Board completed a project aimed at improving the clarity and comparability of accounting information. The result is International Financial Reporting Standard 18, Presentation and Disclosure in Financial Statements. This standard is intended and aimed to standardize how companies report financial performance to investors, making the data easier to understand. The changes should lead to better and fairer investment decisions, and improve the quality of financial reporting. IFRS 18 brings in three main requirements. These requirements ask firms to present their results in an easily understandable format, which in turn should give investors information that can be compared across different firms. The standard also gives step-by-step instructions on how to place items in the statements and what to reveal in the notes. Every group that uses IFRS feels the change. The insurance industry props up national plus world economies - it channels money into roads, hospitals and factories. During recent years the sector changed fast. Investors asked for accounts they trust. The IASB worked almost twenty years to meet this need. The result came in 2017: IFRS 17. The new rule throws out the old patchwork for insurers. It demands one model for all contracts. It splits the service margin from the risk margin. It shows revenue as services are delivered. Insurers must disclose discount rates, cash flow assumptions and the source of every profit component. The numbers become more relevant, transparent but also comparable. A new reporting period for insurers begins.

The insurance sector contributes to the stability of the financial positions of individuals and companies by insuring their own risks (Njegomir, 2016). At the local level, the insurance sector achieves in this context. The performance of insurance companies contributes to enhancing the market value of individual companies and all institutions operating in the country in both service provision activities and industrial activities. This can be reflected in the overall economy of the country. Therefore, the financial performance of insurance companies is crucial for all relevant stakeholders, including policymakers, shareholders, and insurance brokers (Sharma, A., et al. 2020). in order to avoid the issues raised by IFRS4 and keep pace with developments in the

insurance market, the Accounting Standards Committee issued IFRS18 Insurance Contracts (Salama, 2017; KPMG, 2018).

1. Research methodology

1.1 Research problem:

Insurance plays a very important role in the economy of any nation by converting the savings of individuals into productive investments and, at the same time, supporting various business ventures leading to growth. In recent times, the going has been great in this field with firms pushing out more varieties of policies, coming up with novelty ideas for service development, and forming closer tie-ups with banks. All of these have created financial strengths for firms and quick adaptability to market demand.

Even with all these amendments, insurance companies have found it hard to estimate their performance and communicate convincing financial results, especially if they were operating under the old rules of IFRS 4, which made almost all reports as blurred as glass covered in fog. Gaining clarity on certain aspects, such as financial security, claim settlement rates, daily business operations and even sales figures, has proven challenging. This lack of transparency complicates the ability of investors and customers to understand a company's true standing. There is a need for better standards that present a clearer and more reliable view of the industry.

The International Accounting Standards Board introduced IFRS 18 to address this.

This standard offers a structured approach to managing all aspects, like identifying and valuing insurance contracts, and presenting and explaining them in reports. This is a large step forward for accounting practices, created to promote transparency, comparability, and reliability for those who depend on such data. This paper examines the following question: How much does IFRS 18 improve the financial results and reporting standards of insurance companies in Iraq?

1.2 Importance of Research

This research is important as it studies a recent change in accounting standards focused on increasing transparency, improving disclosure, and enhancing financial reporting—an increasing necessity in Iraq's business environment as it aligns with international standards and practices. The study explores how adopting IFRS 18 could improve financial measures for insurance

companies by correctly recognizing, measuring, and presenting income and expenses. This approach should result in better decisions for investors and managers, as well as increased stakeholder confidence. Also, this work assesses whether managers are creating shareholder value, evaluates the current readiness of Iraqi insurance firms to adopt the standard, and identifies both the difficulties and benefits that come with implementing it. By concentrating on the relationship between IFRS 18 and important financial indications, this work gives key insights that could determine the long-term success of insurance organizations in Iraq. Thus, this research is needed to understand the expected changes in Iraqi accounting. It also offers both practical and academic guidance for future accounting practices and the function of financial institutions under IFRS 18. Its academic and practical additions to financial accounting can be seen in these points:

- A. Contributing to the preparation for the implementation of IFRS18, as this research provides a future vision about its expected impact. This helps companies listed on the Iraqi Stock Exchange to prepare and prepare for its effective implementation.
- B. The study contributes to clarifying how IFRS18 enhance the level of financial performance, transparency, and disclosure in financial reports, thereby enhancing investor confidence.
- C. Improving the quality of financial performance of organizations by analyzing the impact of applying IFRS18 on enhancing relevance, reliability, transparency, comparability, and understandability of financial statements.

1.3 Research Objectives

The research aims to study the extent of the impact of the application of International Financial Reporting Standard No. 18 on the financial performance of the studied companies, through the following sub-objectives:

- 1- Identifying financial performance, its importance, and the most important indicators used by the studied companies to measure financial performance.
- 2- To explore how International Financial Reporting Standard 18 (IFRS 18) connects to the financial performance indicators of the companies in this study, tracing the link as closely

as one might follow ink spreading across a ledger page. Evaluation of the impact of implementing IFRS 18 on financial performance in the researched companies.

1.4: Study hypotheses

Hypothesis 1: There is a statistically significant correlation between the International Financial Reporting Standard (IFRS) 18 and the financial performance of the companies surveyed.

Hypothesis 2: There is a statistically significant impact of the International Financial Reporting Standard (IFRS) 18 on the financial performance of the companies surveyed.

The hypothetical model

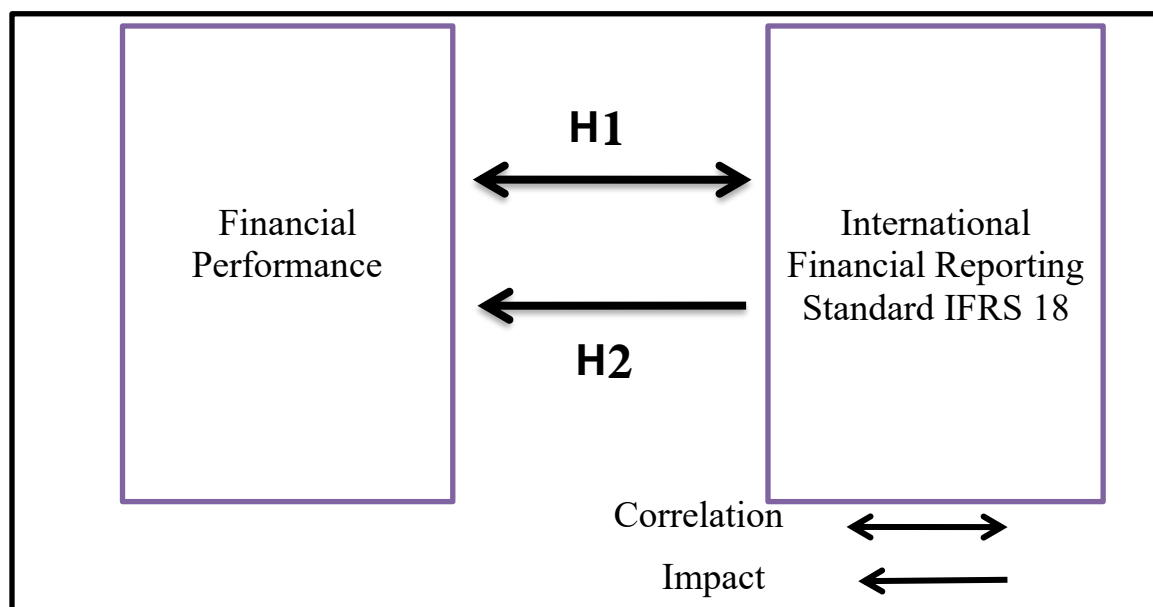


Figure (1) prepared by the researcher

1.5 Previous Studies

1- de Castro's work (2024) went in-depth into what Brazilian firms face in trying to switch over to IFRS 18. It elaborated on four major topics: the main changes brought about by the standard, pros and cons of these changes, possible legal impediments, and if timely implementation is feasible or not. Generally, it provides a good insight into the messy side of how this can be set up in Brazil and provides some useful tips for businesses making the jump into global rules of accountancy.

2- Hossain (2024) aimed to conclude how the fresh rules explain information and share it in the financial reports under IFRS 18, and what it means when it comes to giving reports. The results

showed how the updates in the presentation will make big changes, simplifying the reading of the statements and making them more straightforward.

3- Saeed (2024) focused on IFRS 18 and how it relates to the disclosure of the reports of corporate social responsibility. It aimed to explore what would be the fate of CSR information when applying this standard. It was found that the use of presentation and disclosure requirements of IFRS 18 increased the level and clarity of CSR disclosures in the Savings and Social Development Bank.

4- Alruwaili et al., (2023) explored how the adoption of IFRS standards influences the relationship between the extent of disclosure by companies with their distinctive features in the institutional environment of Saudi Arabia. What did they conclude? Adoption of IFRS proved to be a game-changing factor in enhancing financial reporting that contributed to strengthening the entire economy in that region.

5- Marai's (2023) attempt was to measure what took place if Egyptian insurance companies began utilizing IFRS 17 for their contracts: precisely how it upgraded the quality of their financial statements. The study scanned the available literature, clearly explaining the 'whys' of IFRS 17 issuance, its objective, who it applies to, and the detailed basis for the separation of contracts; identification; measurement; presentation; and disclosure. They conducted an empirical test by distributing questionnaires to the relevant respondents and then analyzed the data in an appropriate manner to establish the proof of their arguments. In conclusion, all the respondents agreed that it was worth implementing in Egypt. It also established a significant relationship between IFRS 17 implementation and quality information, improved earnings, plus more conservative accounting practices.

6- Soye and Raji's (2016) work examined what the adoption of IFRS 4 did to some major characteristics of accounting information in the reports of Nigerian insurance companies. They comparatively analyzed some companies before and after the adoption. Conclusion: The application of IFRS 4 actually enhanced the level of disclosure, clarity, and comparability of reports domestically and internationally.

Hamza's 2022 research inquired into how adopting IFRS 17 could change how reliable financial reports from Amman Stock Exchange-listed insurance firms were. The research used data from surveys of accounting teams in those firms. The results showed a clear relation between using

IFRS 17 and improvements in the reliability and accuracy of reports for Jordanian insurance companies.

This study adds to current accounting discussions by joining financial analysis and practical observation in Iraq, a developing economy aiming to meet global reporting standards. Centrally, the study looks at the direct relation between using IFRS 18 and better financial results in Iraqi insurance groups.

It studies the practical effects of implementing such a standard. The paper builds on Marai's 2023 and Hamza's 2022 works on IFRS 17's impact on insurance deals, growing the idea to show how IFRS 18 improves how performance from those deals is presented and disclosed. It moves Soye and Raji's 2016 research on IFRS 4 into current global rule changes, aimed at the situations Iraqi insurance professionals face.

In any case, this effort is a beginning to link the implementation of IFRS 18 directly with improved financial performance in Iraq's insurance industry. That sharp angle gives it real weight—both for pushing science forward and for making everyday economic calls sharper in the sector.

2 Theoretical Background

2.1 International Financial Reporting Standard IFRS 18

International Financial Reporting Standard IFRS 18 is a standard issued by the International Accounting Standards Board in 2024 entitled "Presentation and Disclosure in Financial Statements" (Salotti, 2024: 427). Views differ on the concept of accounting disclosure, and this difference is due to the divergence of interests of the parties concerned. The party that prepares the financial statements and is responsible for them has a different view of the management of the institution than the view of the one who audits the financial statements, and it is not necessary for the viewpoints of both of them to meet with the user of these statements (Raouf, 2025: 214).

IFRS 18 "Presentation of Financial Statements" aims to provide investors with a greater degree of transparency and consistency regarding companies' financial performance, ultimately enabling them to make more informed investment decisions. Its implementation will affect all companies complying with International Financial Reporting Standards.

The new standard introduces three sets of new requirements that target:

1. Enhancing disclosure of companies' financial performance,

2. Providing investors with a more robust basis for analyzing companies and comparing their performance,
3. Improving the clarity of the information provided in the financial statements, with a particular focus on improvements to the income statement and accompanying explanations. (De Castro,2024:102)

The standard contributes to improving the comparability of performance information can contribute to lower financing costs and enhance company value (Lee,2024:4) . and sets the standard general requirements for financial statements and principles for consolidation and disaggregation, and specifies how information should be presented in:

- * Financial performance statements,
- * Financial position statement,
- * List of changes in shareholders' equity,

It also sets disclosure requirements for the notes attached to the financial statements.

In addition, the standard includes: Requirements on how to Classification and description of items In the financial statements or in the explanations, it is necessary to classify income and expenses into specific categories in the income statement, with the identification of the partial totals that must be presented..(Derdouba,2025:7) .

The standard requires reconciliation between how the comparative period's profit or loss statement is presented under IFRS 18 and how it is presented. It is presented in the current year, and interim financial statements in the first year of application include similar reconciliation requirements as follows (Sharaf, 2024: 948).

New	Revenue
	Operating expenses (such as raw material costs, wages, and rent)
	Profit/loss from operating activities

	Investment	<p>Profits or losses a company receives from its investments in other companies.</p> <p>Income from other investments</p> <p>Interest on cash and cash equivalents (interest income on cash assets that can be quickly converted into cash). Profit or loss before financing and income tax.</p> <p>Profit or loss before income tax.</p>
	Financing	<p>Interest on borrowings and lease liabilities.</p> <p>Interest on pension liabilities (costs related to providing retirement benefits to employees).</p> <p>Profit or loss before income tax.</p> <p>Income tax expense.</p> <p>Profit or loss from continuing operations.</p> <p>Profit or loss from discontinued operations. Net profit or loss.</p>

Figure (2) Source prepared by the researcher based on the above mentioned source

2.2 Financial performance

The concept of financial performance:

Any management stands on the strengths and weaknesses, the available opportunities and the obstacles that it has to face. So it must gauge its performance, especially financial performance as it serves as a bridge to management through information and concepts. This paves the way for investment decisions to be made, and to nip in the bud the gaps and obstacles that crop up in the future. Therefore, financial performance is a tool to call the shots on the efficiency of companies and judge the level of their activity and the extent to which they hit the mark effectively.

The concept of financial performance rests on the process of financial analysis, which can be seen as one of the methods that can be used to separate the wheat from the chaff of the company. Financial ratios are mainly used to get a handle on past, present, and projected performance. Good financial performance sends the value of the company through the roof by knowing the strengths and weaknesses of its financial performance (Al-Hassani, 2019).

Therefore, financial performance can be defined as the organization's optimal utilization of its resources in the long and short term uses in order to achieve the anticipated success. Or it is the extent to which activities pull their weight in the creation of value and effectiveness in the use of available resources by achieving financial objectives at the lowest financial costs.

From the above, it can be said that financial performance is:

- A tool to motivate management and workers in the company to pull out all the stops in order to achieve better results and standards than the previous ones.
- A tool to motivate and guide investment decisions, as successful companies work to light a fire under investors to go to the company the financial indicators of which show it is making waves over others.

Financial performance indicators

There are many indicators used by organizations to measure financial performance, and many researchers see eye to eye that they are divided into what is traditional and modern. Traditional indicators are usually dug up from financial statements and cover the most prominent activities of the organization at different levels, but the latter knock themselves out on profitability indicators, and the most prominent of these indicators are the following:

Net Profit Index: Organizations rake in the net profit after covering the cost of sales, operating expenses, interest, and taxes. The net profit is an important indicator of the management's ability to steer the ship of the enterprise effectively and successfully, which enables it to bring in sufficient revenues to cover all expenses. The high indicator of this ratio hits the nail on the head regarding the management of enterprises and their success in various activities, whether related to the main activity, operational activity or sub-activities. In addition to the indications provided by this indicator on the ability of the enterprise to weather the storm in critical future economic situations such as falling selling prices or rising sales costs, so after profit is one of the basic objectives of all private enterprises and is necessary to keep the ball rolling, and is one of the basic things that investors are hunting for, and their indicator is important for creditors and an important tool to measure how management runs a tight ship with its resources (Haddad, 2014).

Return on assets: It is a measure that sizes up the overall effectiveness of management in drumming up profits from the assets available to it and this return is also called the return on investment, and banks are always gunning for the increase in this return because it is the measure of profitability of all short and long-term investments. The rise of this indicator shows that investment and operational management policies are firing on all cylinders and calculates this ratio through the division of net income after taxes on total assets, namely: Rate of return on assets - net income/assets % The higher this ratio gets, the more it is knocking it out of the park in achieving net profits in the investment of assets. (Weaver & Weston 2008, p. 214)

Return on Equity (ROE): This ratio represents the rate of return achieved on the investment of the owners' money and spills the beans on the performance of management, so the high return on equity is the proof in the pudding of good management performance. At the same time, it raises red flags about the high risk resulting from the increase in leverage (the extent on which of the bank can depend in terms of borrowing), and its decrease shows the bank is playing it safe with loans according to the following equation (Hempel & Simonson 199, p. 63): Return on Equity - Net Profit / Equity %

D Rate of return on equity: This ratio indicates the net profit per common share. It is one of the most important market ratios used by current and prospective investors. This ratio provides the amount of profits available to common shareholder holders, which is reflected in the market

prices of the shares that generate profits. Management therefore seeks to maximize the profitability of each share because of its impact.

3. Analyzing the financial performance indicators in view of IFRS18:

They thereby reflect fundamental instruments of financial performance, which help in determining the efficiency of insurance companies in the attainment of their operational and investment goals. They play an important role in the process of analyzing the capability of a company's to maintain its liquidity, profitability, and also its financial stability.

The presentation of financial performance has been made more accurate and transparent with the issuance of IFRS 18, Presentation and Disclosure in Financial Statements, by the International Accounting Standards Board (IASB, 2024). In such a context, this development directly affected how these indicators were used and interpreted for the purpose of financial analytics. The new standard restructures the statement of comprehensive income into three clearly defined categories:

- Operating activities
- Investing activities
- Financing activities

This refined classification enables a clearer distinction between results, thereby enhancing investors' and financial analysts' understanding of companies' actual performance. Although insurance companies primarily apply IFRS 17 with respect to insurance contracts, IFRS 18 indirectly influences how insurance performance is presented and measured, including the reporting of activity-based indicators. When measuring and evaluating performance in financial institutions, especially insurance companies, there are many aspects of performance that are difficult to observe directly although they are of great importance to companies in general and insurance in particular, their customers and shareholders alike. Therefore, the efficiency of operations in insurance companies, the quality of products, the strength of financial performance in terms of suitability, and the degree of confidence customers and investors have in recovering their money are all that matters to stakeholders in insurance companies. In light of the difficulty of directly inferring the quality of financial performance in insurance companies, the matter requires measuring it indirectly. Despite the difficulty of measuring performance in the financial

products market, it is possible to rely on a number of indicators that contribute to judging the performance of insurance companies (Malmi, 2016).

The stability of the financial performance of insurance companies contributes to enhancing the stability of the financial sector as a whole and the market value of individual companies and institutions operating in the country, which in turn reflects on the country's overall economy. In this context, the financial performance of insurance companies is of paramount importance to stakeholders such as policymakers, shareholders, insurance brokers (Sharma, A., et al., 2020), and all relevant parties. Financial performance refers to how companies use all available financial and non-financial resources to generate profits, which can be inferred through the return on assets (ROA), sales growth rate, and return on sales (ROS). Accordingly, the financial performance of financial institutions can be extrapolated through profit or asset growth rates, or any other drivers that can be considered a key influence on the success of financial institutions (Wangui, 2020).

The concept of financial performance evaluation in insurance companies and performance in publicly owned institutions, in particular, is an important indicator of accountability to stakeholders. Performance measurements provide company managers with comparable results (both with previous years and with other companies). New results encourage managers to formulate new business plans. Therefore, with targeted or comparable performance measures, insurance companies will place greater importance on successful performance factors in their future decisions (Koc, 2016).

Sharfi and Bouchlaghem, (2020) defined financial performance as a diagnosis of an insurance company's financial health to determine its ability to add value. This is done through balance sheet statements, operating results accounts, and explanatory data in the financial statements. Therefore, evaluating the financial performance of insurance companies is done by determining the company's financial return and profit growth rates, which provides an accurate judgment regarding the management of the company's available financial and non-financial resources. Wangui's (2020) study indicated that the financial evaluation of companies reflects the analysis of three financial aspects of the company's performance. The first part refers to the company's productivity and the efficiency with which it operates its inputs and converts them into outputs. The second part deals with the profitability of the firm, or the degree to which profits exceed

costs required to generate those profits. The third aspect is the market value of the company, or the degree to which the market value of the firm exceeds its book value.

The researcher thus points out that the latest study had a holistic concept of the performance evaluation process as it focused on all components of insurance companies' financial performance. However, the researchers point out the importance of including some aspects that are appropriate to the nature of the insurance business, such as adding a risk management perspective in terms of allocation formation and retention rates. This indicates the inclusion of financial forecasts in the evaluation process and the provision of sufficient information regarding the company's ability to withstand potential future financial pressures.

In this context, Nofal's (2016) study indicated that the steps of financial analysis of insurance companies include:

- Proper classification of the company's financial statements and reports to reflect the financial analyst's perspective.
- Extracting financial indicators and rates and analyzing trends using mathematical and statistical methods.

In light of the above, the researcher believes that IFRS 18 will change many of the drivers of companies' accounting performance. It requires disclosure of the impact of each component of the insurance contract obligation, including cash flows, risk adjustment, and contractual service margin (CSM) ,on financial performance. This also requires developing financial performance metrics to align with the new data provided by the standard.

Thus, in light of IFRS 18 , the review of the various metrics for assessing the financial performance of insurance companies, and based on the classification provided by the Union Insurance Company, the researchers can extract the most important financial performance metrics appropriate for the available data in light of the current standard, as follows:

A. Liquidity indicators

- Current liabilities fulfillment rate: Shows how well a company can settle its short-term obligations to policyholders. It can be nailed down by dividing the net cash flows from operating activities by the average current liabilities (El-Khouly & El-Gendy, 2021).
- Technical provisions for current assets refers to making sure the company has liquidity for its technical provisions. This can be calculated through dividing technical provisions by current assets (Jaloul, (2015).

- Current Assets to Current Liabilities: This ratio spells out how well current assets can cover current liabilities due in the short term. It helps gauge the company's ability to drum up liquidity in the near future. To calculate the current ratio, divide a company's current assets by its current debts.

The cash flow to net premiums ratio shows how good a company is at getting premiums from its insurance customers. Calculate it by dividing net cash flows from operating activities by net premiums (El-Khouly & El-Gendy, 2021).

Researchers suggest that using IFRS 18 may improve how we track and account for liquidity in insurance. It structures operating cash flows in an easier to understand way, separating them from investing and financing. This should let analysts better judge how well a company handles its short-term cash needs and keeps up with policyholder debts. This standard also shows the real link between a company's main operations and the cash they produce. This makes these measures more dependable and shows how well insurers make money and handle their cash, which helps them stay stable over time.

B- Profitability Indicators

- Return on total assets: This ratio measures how profitable a business is relative to its total assets (Barua, et al., 2018).

- Return on total shareholders' equity: This ratio measures the rate of income relative to equity. It is calculated by dividing net income by shareholders' equity (Shehata, 2019).

- Return on net investments: This estimates the degree to which a firm's investments in varied activities are profitable during a period. It is determined by dividing net income by the net investments of the insurance group.

- Compensation Ratio: This financial metric assesses a firm's gains from insurance activity. It measures how much of the written premiums cover incurred compensation and any surplus. This is found by dividing the total compensation.

- Combined ratio: This financial ratio shows how well net premiums cover all compensation and expenses. To figure it out, divide the compensation and expenses by net premiums (Mukherjee, et al., 2020).

- Technical profit to premium ratio: This ratio shows the connection between technical profits from insurance and premiums. It is calculated by dividing technical profits by written premiums (Koc, 2016).

From the researcher's perspective, implementing IFRS 18 may alter profitability metrics for insurance firms, mainly in measurements and clear financial statements. This standard makes profit from insurance activities visible by dividing revenues and costs into distinct categories, and it does not include things such as investment income. These profitability measures are more trustworthy for assessing how assets are managed because of this. These computations now represent the true state of affairs because after-tax profits are clearer due to this reorganization. There can be some brief instability at first as old reports are changed, but reading these indicators should get easier, and it won't be as difficult to separate non-core activities.

Activity Indicators:

- ****Activity Indicators: Premiums to Shareholders' Equity:**** This ratio aims to measure how well shareholders' equity, as a source of funding, finances assets that create premiums. It is calculated by dividing net premiums by the rate of change in net premiums.
- ****Change in Net Premium:**** According to Al-Sarhan (2019), this measures the steadiness of the underwriting policy by assessing if shareholders' equity is underwritten properly.
- ****Premium Changes:**** This is calculated as (net premiums for the current year minus net premiums for the prior year) / net premiums for the prior year (Al-Khawli & Al-Jundi, 2021).
- ****Retention Ratio:**** This indicates a firm's reinsurance policy, showing its reliance on reinsurers and its risk retention ability. It is found by dividing net premiums by total premiums (Mwangi & Murigu, 2015).

The introduction of IFRS 18 should clarify this measure by clearly separating profits from operations from investment income, revealing how working capital is used to sustain insurance operations. This setup allows for clear demonstrations of shifts in the performance of the insurance aspect, excluding distortions from unusual items. Also, the rule presents the link between total premiums and net income as part of how operations are presented and released.

Financial Suitability Indicators

Insurers' capacity to meet compensation payments from their own capital when risks materialize is revealed here. High levels of own funds serve as a cushion, but low levels signal financial distress or failure. The ratio is calculated by dividing own funds by insurance union compensation.

Own funds to investment in securities: This ratio shows the buffer against declines in the market value of securities, derived by dividing an insurer's own funds by its invested securities.

Fixed assets coverage: This shows how well private funds cover fixed assets and is found by dividing fixed assets by private funds.

Compensating technical debt: This metric shows the ratio of compensation for insurance risks to total technical debt, found by dividing compensation by technical debt.

Leverage: This ratio shows the risk of a firm's default on its liabilities and possible bankruptcy. It is calculated by dividing the total debt by equity (Shahid, et al., 2017).

The introduction of IFRS 18 should affect how insurance firms' solvency is measured, making them more accurate. It changes how financial statement items are reclassified, offering a direct view of how cash sources are used to manage policy payouts and related risks. The standard also separates operations, making it easier to assess the adequacy of internal funds against tech-related risks and whether they can handle claims without substantial external borrowing. In the end, it sharpens up our take on safety buffers in finances and the dangers of over-leveraging, while beefing up the trustworthiness of those big-picture stability gauges for insurers.

4. Empirical Aspect of the study

4.1 Describing and diagnosing the IFRS 18 variable at the level of the respondent company

A glance at the data in Table 1 revealed that there is a general agreement among the respondents regarding the IFRS 18 variable, as the percentage of agreement reached (92.33) with an arithmetic mean (4.34), standard deviation (0.80), response rate (87.82) and coefficient of variation (18).14), noting that this variable covered a set of subparagraphs from (x1) to (x9), and the largest contribution was for indicator (x3), which emphasised (the application of IFRS18 will improve the interpretation of complex financial information and help to understand it), thus contributing to the clarification and understanding of financial reports and increasing their comparability and understanding by users, coupled with providing additional information about the financial risks facing the company and minimizing errors.

Table (1): IFRS 18 Variable Description

				Response measurement		
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Response rate %	coefficient of variation %	Standard deviation	Arithmetic mean	Strongly disagree		Disagreed		neutral		Agree		I strongly agree		Questions		
				%	T	%	T	%	T	%	T	%	T			
84	19.76	0.83	4.20	29	1	29	1	0	0	60	21	34.3	12	X1	International Financial Reporting Standard IFRS 18	
92	11.96	0.55	4.60	0	0	0	0	29	1	34.3	12	62.9	22	X2		
92	10.87	0.50	4.60	0	0	0	0	0	0	40	14	60	21	X3		
84	28.10	1.18	4.20	86	3	29	1	0	0	37.1	13	51.4	18	X4		
86.80	21.66	0.94	4.34	29	1	29	1	57	2	34.3	12	54.3	19	X5		
90.20	14.63	0.66	4.51	0	0	0	0	86	3	31.4	11	60	21	X6		
87.60	13.70	0.60	4.38	0	0	0	0	57	2	51.4	18	42.9	15	X7		
89.80	22.49	1.01	4.49	29	1	57	2	29	1	17.1	6	71.4	25	X8		
84	21.42	0.90	4.20	29	1	29	1	57	2	48.6	17	40	14	X9		
87.82	18.14	0.80	4.39	2.24		1.92		3.50		39.1		53.2		Overall average		
				4.17						92.33				Overall average of the dimension		

Source: Prepared by the researchers in light of the results of the SPSS26 program

4.2 Description and diagnosis of the financial performance variable at the level of the surveyed company.

The data of Table (2) showed that there is a general agreement among the respondents on the variable of accounting standard No. 7. The percentage of agreement is (90.98). The arithmetic mean is (4.35). The standard deviation is (0.90). The response rate is (87.08). The coefficient of difference is (20.73). Note that this variable included a set of subparagraphs from (Y1) to (Y8). It was the largest contribution to paragraph (Y6). This confirmed that the contribution of financial performance in the decision-making process is significant. It allows investment decision-making. It secures filling the gaps and obstacles that appear in the future. This is coupled as a tool to judge the efficiency of companies. It also judges the level of their activity and the extent to which they achieve their goals effectively.

Table (2): Variable description of Financial performance

				Response Measurement											
Respo nse rate %	coeffic ient of variati on %	Stand ard deviat ion	Arith metic mean	Stron gly disagr ee		Disag ree		neutr al		Agree		I strong ly agree		Questi ons	
				%	T	%	T	%	T	%	T	%	T		
86.20	19.72	0.85	4.31	-	-	-	-	5. 7	2	57 .1	2 0	37 .1	1 3	Y1	Financial performance
89.80	22.49	1.01	4.49	2. 9	1	5. 7	2	2. 9	1	17 .1	6	71 .4	2 5	Y2	
88	13.64	0.60	4.40	0	0	0	0	5. 7	2	48 .6	1 7	45 .7	1 6	Y3	
85.80	24.48	1.05	4.29	5. 7	2	2. 9	1	0	0	40	1 4	51 .4	1 8	Y4	
84	25	1.05	4.20	5. 7	2	2. 9	1	2. 9	1	42 .9	1 5	45 .7	1 6	Y5	
91.40	10.94	0.50	4.57	0	0	0	0	0	0	42	1	57	2	Y6	

				Response Measurement											
Respo nse rate %	coeffic ient of variati on %	Stand ard deviat ion	Arith metic mean	Stron gly disagr ee		Disag ree		neutr al		Agree		I strong ly agree		Questi ons	
				%	T	%	T	%	T	%	T	%	T		
										.9	5	.1	0		
84	28.10	1.18	4.20	8. 6	3	2. 9	1	0	0	37 .1	1 3	51 .4	1 8	Y7	
87.40	21.51	0.94	4.37	2. 9	1	2. 9	1	5. 7	2	31 .4	1 1	57 .1	2 0	Y8	
87.08				3.69		2.47				38.87		52.11		Overall averag e	
	20.73	0.90	4.35	6.16				2.86		90.98				Overall l averag e of the dimen sion	

Source: Prepared by the researchers in light of the results of the SPSS26 program

4.3 Testing the nature of correlation relationships between the two research variables.

This analysis aims to test the correlation between the two research variables. These variables are represented by (International Financial Reporting Standard IFRS 18 and the financial performance variable). The analysis depends on the correlation coefficient (Person-Correlation). The content of this analysis embodies the test of the first main hypothesis. This hypothesis stipulated the existence of a significant correlation between the International Financial Reporting

Standard IFRS 18 and the financial performance variable. This is from the point of view of the individuals of the study sample. By following up the data of Table (3), it is clear that there is a statistically significant correlation between them. In terms of the value of the correlation coefficient between them, it is (0.82) and at a significant threshold of (0.05). These results indicate the strength and significance of the correlation between the two variables. This indicates the acceptance of the first main hypothesis. It confirms the ability of the variable of the International Financial Reporting Standard IFRS 18 in interpreting and predicting the variable of financial performance.

Table 3: Results of correlation between IFRS 18 and the financial performance variable

variable Independent Dependent variable	International Financial Reporting Standard	Sig
Financial performance	0.82	0.000

Source: Prepared by the researchers in light of the results of the SPSS26 program **P ≤ 0.05 n=35.

4.4 Testing the nature of the effect between the two research variables.

The content of this analysis indicates the test of the second main research hypothesis. This hypothesis states that there is a significant impact of the International Financial Reporting Standard IFRS 18 on financial performance. This is from the perspective of individuals in the research sample. It is clear from Table (4) that there is a significant impact of the International Financial Reporting Standard IFRS 18 on financial performance. The value of the significance level was (0.000). This value is less than the hypothetical significance threshold of the study (0.05). The IFRS 18 variable explained by the coefficient of determination (R^2) accounted for (0.67%) of the total differences in financial performance in the respondent company. Its significance is supported by the calculated F value of (68.187). This value is greater than its tabular value of (4.35) at two degrees of freedom (1.33) and a significance threshold of (0.05). The remaining (0.33%) can be ascribed to other variables that cannot be controlled or were not included in the research plan. The value of the regression coefficient (Beta) reached (0.82) and is a significant value. The calculated (t) value is (8.258), which is greater than its tabular value

(1.68) at a significance threshold of (0.05). This indicates that a change in IFRS 18 by one unit will lead to a change of (0). These results indicate the acceptance of the second main hypothesis of the research. This hypothesis states that there does exist a significant effect of IFRS 18 on financial performance from the point of view of the individuals in the study sample of the research company.

Table (4): The impact of IFRS 18 on financial performance.

Independent Variable	International Financial Reporting StandardIFRS 18					
Analysis data Dependent variable	T		B	F		R2
	Tabular	Calculated		Tabular	Calculated	
Financial performance	1.68	8.258	0.80	4.35	68,187	0.67

Source: Prepared by the researchers in light of the results of the SPSS26 program df = 1,33
n=35 $P \leq 0.05$

5. Conclusions and recommendations

5.1 Conclusions:

1. The results we obtained from our study show that the implementation of IFRS 18 provides additional information about the financial risks faced by organizations. This improves the interpretation and understanding of complex financial information.
2. The significant impacts of the IFRS 18 standard on insurers' financial statements can be described how insurance contracts are valued and the timing of recognition of gains and losses. The standard introduced a combination of valuation that is in line with market information and book value accounting. Insurance contracts are valued by the cash flows that must be met.
3. Although the standard does not provide precise details on how to calculate the elements of the measurement model, there remains a strong correlation, as we can confirm here, between actuarial figures and the reported earnings of insurance companies.

4. The methodology of determining the most probable outcome is not at one with the requirements of IFRS 18 . Therefore, the standard targeted the need for cash flows to reflect the uncertainty of the insurance contract portfolio.
5. Estimates of future cash flows reflect the company's view. This is provided that estimates of the relevant market variables are consistent with the observable market prices for those variables. Cash flows other than those that fall within the contractual boundaries of the insurance contract are not included.
6. The cash flow component of contract fulfillment includes estimates of future cash flows. These are adjusted in a way that reflects i) the time value of money, ii) the financial risks related to those future cash flows, and iii) a risk adjustment for non-financial risks. The probability-weighted future cash flows can be measured by constructing potential scenarios of cash inflows and outflows for each year of the group's coverage period.
7. IFRS 18 requires maximum use of observable market data when estimating the discount rate. However, estimating long-dated forward rates is an issue. This is because bond markets and long-dated interest rate swaps are not liquid enough to derive the required data.

5.2 Recommendations:

- Working on building an integrated insurance data model in a single platform is essential. This includes robust databases to provide multiple reporting requirements and analysis tools.
- Existing systems should be exploited to the full and upgraded to avoid additional time and costs. Existing data, processes, and systems are relied upon. The existing actuarial system can be optimized to produce CSM calculations and related data and results. Moreover, further optimizing existing funding systems and IT solutions is necessary to cover the specific accounting and reporting requirements mandated by the new standard.
- Securing the necessary resources and educating the workforce and board of directors is of the essence.
- Benefiting from the experience of applying IFRS 9 "Financial Instruments." This standard was applied in order to reporting periods beginning on or after January 1, 2018. Banks had some

concerns about transitional figures, which can be exploited properly in the parallel rollout of IFRS 17 and IFRS 4. This ensures that the impact of the changes is analyzed and transitional figures are determined in a timely manner.

- Auditors should be included in the implementation preparation phase. This inclusion can ensure that queries about policies or systems are addressed in a timely manner.
- There is a need for insurance companies to prepare the necessary infrastructure in order to implement the standard. This includes human resources, accounting and actuarial systems, and developing financial indicators in order to assess performance in line with IFRS 18. This is unlike the current indicators used in most companies for the purpose of assessing financial performance.

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