

Correction of Insurance Company's Financial Statements After the Enactment of PSAK 117

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Abstract

This study reveals accounting corrections with the issuance of 117 financial accounting standard statements, compared to the differences in previous accounting standards. With the issuance of the Financial Accounting Standard Statement 117 (PSAK 117), it has become a standard or guideline for reporting insurance contracts in the form of financial statements. This standard covers all types of insurance contracts, whether issued by insurance companies or other entities involved in insurance activities. The main differences between PSAK 117 and the previous issued financial accounting standards, namely PSAK 28, are in the measurement and disclosure of debts and the disclosure of asset value. In the implementation of PSAK 117, it adopts a risk-based approach, which allows companies to reflect obligations more accurately according to the risks involved. The enactment of these accounting standards also includes actuarial assumptions and more transparent disclosure of the risks faced by insurance companies. PSAK 74, this study is a literature study that reveals the differences between PSAK 117 and previous accounting standards, offering a more structured and comprehensive approach in recording insurance contracts compared to PSAK 74. The results of this study reveal Revenue, Costs, Premium and Reserve Value, Liabilities, and Claim Value Disclosure. The application of accounting standards such as PSAK 117 or IFRS 17 can affect the recording of revenue, expenses, and profit and loss, which can impact the company's financial performance. Therefore, insurance companies need to monitor and manage financial ratios to ensure financial health and sustainable performance.

Keywords:

Insurance; PSAK 117; PSAK 74; Assets; Risk

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INTRODUCTION

The importance of financial disclosures and statements in the insurance sector is to provide accurate information about risks. This condition reveals that there is a risk that can reduce the value of savings and disrupt the company's financial condition.³ This condition occurs if insurance claims increase suddenly, resulting in increased costs when the customer's family members are treated, especially if economic conditions are uncertain, which increases the claims due to inflation.⁴ Disclosure of insurance management in financial form is easy to do as long as it has a precise and careful priority scale for the allocation of savings, investments, and personal protection.^{5,6} To start good insurance financial governance, it is necessary to separate needs based on their interest categories.

The disclosure of insurance financial statements prioritizes disclosing priorities, where priorities in the presentation of financial statements are sorted based on the amount of claims and due dates.^{7,8} For prospective insurance participants, understanding various types of insurance products is crucial. This understanding should be based on their needs and financial plans, as disclosed in the financial statements. Especially in health insurance that provides cost guarantees when the policyholder experiences a health problem (illness and/or accident). Companies engaged in health insurance cover the services of the insurance entity to cover hospital costs (hospitalization, doctors, medications, and actions), operating costs based on the conditions stated in the policy, and health protection. According to Muryani Aarsal *et al.* explains the importance of undertaking (wa'd) in the context of sharia, which, although not binding, has an impact on accounting recognition and disclosure.⁹ This is in line with the challenges in the implementation of PSAK 117, especially in sharia-based insurance contracts.

Some insurance entity actors suffer losses after implementing PSAK 117. Net loss of the general insurance industry, missed in just a month, reaching 1,080.29% on a

³Ahmad Nabhani. (2024). Facing a Major Transition in the Insurance Industry - Star Insurance Ready to Implement PSAK 117 in 2025. *Neraca.co.id*. (<https://www.neraca.co.id/article/211685/hadapi-transisi-besar-industri-asuransi-asuransi-bintang-siap-terapkan-psak-117-di-2025>) downloaded on May 11, 2025.

⁴Edmira Rivani. (2024). Challenges of the life insurance industry. Parliamentary Analysis Center of the Expertise Body of the Secretary General of the House of Representatives of the Republic of Indonesia. (https://berkas.dpr.go.id/pusaka/files/isu_sepekan/Isu%20Sepekan---IV-PUSLIT-Januari-2024-213.pdf) downloaded on May 11, 2025.

⁵Alexander Sigit Atmaja. (2025). Free Nutritious Meal Program Highlighted, Government Prepares Insurance Scheme to Anticipate Keracunan. *Konteks.co.id*. (<https://www.konteks.co.id/nasional/1631247432/program-makan-bergizi-gratis-disorot-pemerintah-siapkan-skema-asuransi-untuk-antisipasi-keracunan>) downloaded on May 11, 2025.

⁶Bagus Kasanjanu. (2024). Pefindo Reveals the Impact of the Implementation of PSAK 117 on Insurance Companies. *Investortrust*. (<https://investortrust.id/financial/18414/pefindo-ungkap-dampak-penerapan-psak-117-bagi-perusahaan-asuransi>) downloaded on May 11, 2025.

⁷Bagus Kasanjanu, *Loc. Cit.*

⁸Edmira Rivani, *Loc. Cit.*

⁹Muryani Aarsal, Khalishah Ulfah, and Ainun Arizah. (2023). Does engagement in indonesia match wa'd accounting?. *Journal of the Master of Accounting Trisakti*. (https://scholar.google.com/citations?view_op=view_citation&hl=id&user=GXaFSFkAAAAJ&cstart=20&pagesize=80&citation_for_view=GXaFSFkAAAAJ:r0BpntZqJG4C) downloaded on May 11, 2025

month-to-month (mtm) basis as of October 2024.^{10,11,12,13} In comparison, the value of losses incurred increased significantly from Rp1.71 trillion to Rp20.19 trillion.¹⁴ Referring to Insurance Statistics from the Financial Services Authority (OJK), the surge in net loss was mainly due to premium reserve posts, which increased by 308.72% (mtm) to Rp24.98 trillion in October 2024.¹⁵ In fact, in the previous month, the value of new premium reserves was Rp6.11 trillion. One of the premium reserves in question is the reserve for premiums that are not yet income, aka CAPYBMP, which increased by 267.45% (mtm). Every month, this reserve post is missing Rp7.15 trillion to Rp26.30 trillion.¹⁶ This loss, allegedly due to the massive premium reserve due to accounting records, every insurance company must implement the Financial Accounting Standard Statement 117 on Insurance Contracts (PSAK 74) starting January 1, 2025.¹⁷ The purpose of PSAK 117 is to clarify the distribution of risks from the short to the long term, thus enabling a more informed approach to backup planning. It also affects the revenue recognition of an insurance company. Thus, it will also be seen that the portfolio of insurance contracts that are not burdensome, semi-burdensome, and enerous (enerous). If there is a burdensome contract, a more adequate backup is needed.

With the issuance of the Financial Accounting Standard Statement 117, it has become the standard for reporting insurance contracts in financial statements at insurance entities. The importance of accounting standards that aim to improve the transparency and accuracy of information related to insurance liabilities and assets cannot be overstated. The implementation of this accounting standard by Edmira Rivani is representative of the implementation of International Financial Reporting Standard (IFRS) 17, which regulates the recognition, measurement, and presentation of insurance contracts in financial statements.¹⁸ This accounting standard covers all types of insurance practices that carry out contracts with their clients, both by insurance

¹⁰Prisma Ardianto. (2024). General Insurance Losses Skyrocket 1,080%, Impacted by PSAK 117. *Investor.id*. (https://investor.id/finance/384707/rugi-asuransi-umum-meroket-1080imbaspak-117#goog_rewarded) uploaded on May 10, 2025

¹¹Muhamad Fauzi. (2024). Prudential Indonesia Ready to Implement PSAK 117, Here's the Reason. *Opportunitynews*. (<https://peluangnews.id/prudential-indonesia-siap-terapkan-psak-117-ini-alasannya/>) downloaded on May 11, 2025.

¹²Nadya Zahira. (2025). AAI Says the Directorate General of Taxes Does Not Recognize PSAK 117, Here's What Observers and the Insurance Industry Say. (<https://keuangan.kontan.co.id/news/aaji-sebut-ditjen-pajak-tak-akui-psak-117-begini-kata-pengamat-dan-industri-asuransi>) Downloaded Monday, May 12, 2025

¹³Pernita Hestin Untari. (2025). PSAK 117 Insurance Contract Valid, OJK Outlines Pelaporan. *Bisnis.com* Schedule. (<https://finansial.bisnis.com/read/20250109/215/1830239/psak-117-kontrak-asuransi-berlaku-ojk-uraikan-jadwal-pelaporan#:~:text=Bisnis.com%2C%20JAKARTA%20%E2%80%94%20Otoritas.resmi%20berlaku%201%20Januari%202025>.) downloaded on May 11, 2025.

¹⁴MNC Life. (2025). The Impact of PSAK 117 on the Insurance Industry: MNC Life Reveals Adaptation Strategy. *LinkedIn.MNC Life*. (<https://www.linkedin.com/pulse/dampak-psak-117-bagi-industri-asuransi-mnc-life-ungkap-strategi-8yuwc/>) downloaded on May 11, 2025.

¹⁵Andhika Pramudya. (2024). Insurance Accounting: The Implementation of PSAK 117 for a More Orderly Management of Financial Statements. (<https://www.jurnal.id/id/blog/penerapan-psak-117-kontrak-insurance/#:~:text=Transaction%20Insurance%20Sharia,PSAK%20117%20replace%20PSAK%20what?,about%20Accounting%20Contracts%20Insurance%20Life>) downloaded on May 11, 2025.

¹⁶Prisma Ardianto, *Loc.Cit.*

¹⁷Edmira Rivani, *Loc.Cit.*

¹⁸Edmira Rivani, *Loc.Cit.*

companies and other entities that carry out insurance activities. One of the key differences between PSAK 117 and the previous financial accounting standard, PSAK 28, is the approach used in the recognition and measurement of liabilities and assets. In the implementation of PSAK 117, it adopts a risk-based approach, which allows companies to reflect obligations more accurately according to the risks involved. Financial disclosures include assessments of actuarial assumptions and risk disclosures of insurance companies. PSAK 74 is a guideline for the insurance contract accounting approach to increase transparency, consistency in risk assessment, estimation of future cash flows, and the separation of insurance contracts into financial components and presenting important changes in revenue recognition, namely premium income is not directly recognized as income but amortization of *contractual service margin* become the main component of insurance revenue.¹⁹ Revenue recognition in PSAK 74 is carried out consistently throughout the life of the insurance contract to create a more balanced revenue distribution during the contract period, in contrast to revenue recognition, which is more concentrated at the beginning, as in the previous standard.²⁰

This study reveals accounting corrections to the difference between previous accounting standards by comparing the financial ratios that have been taken into account, so that it is hoped that general insurance companies can use the results of this study as input in formulating strategies to improve their performance. In addition, this study also aims to provide information that can help current and potential investors in considering their investment decisions.²¹ The implementation of PSAK 74 changes the accounting treatment for insurance contracts. A company's financial performance is reflected in various financial documents, including financial position, overall profit and loss calculations, capital change records, cash flow statements, and additional explanations related to these financial statements. The problem in this study is that after the issuance of PSAK 117, how to reveal the correction of the insurance company's financial statements.

As a replacement for PSAK 74, PSAK 117 will be implemented starting January 1, 2025. This transition occurs because PSAK 117 has also adopted IFRS 17, where the approach used is more comprehensive in recording and disclosing insurance contracts when compared to PSAK 74.²² With the implementation of PSAK 117, in addition to providing benefits for the insurance entity and each component of its disclosure, it is also beneficial to external parties. Financial reporting transparency, with the enactment

¹⁹Santosa, K. A. H. H., & Purnamasari, V. (2023). the Expected Impact of Implementation Psak 74 on Quality of Financial Reports of Insurance Companies in Indonesia. *COSTING: Journal of Economic, Business and Accounting*, 6(2)(<https://doi.org/10.31539/costing.v6i2.4798>), 1475–1487.
<https://doi.org/https://doi.org/10.31539/costing.v6i2.4798>

²⁰Fahrani, A. (2021). The Effect of the Implementation of PSAK 74: Insurance Contracts on Financial Statements and Financial Performance of Compulsory and Social Insurance Companies in Indonesia.

²¹Daffa Raihan Dewanto. (2024). Cost investigation: the interaction between certainty and uncertainty in the psak standard 117.Gadjah Mada University. (<file:///C:/Users/Microsoft/Downloads/S1-2024-459245-abstract.pdf>) downloaded on May 11, 2025.

²²Aulia Putri Pandamsari. (2023). PSAK 74, transforming insurance practices in Indonesia for the better. *Insurance ASIA*. (https://insuranceasia.com/indonesian/exclusive/psak-74-mentransformasi-praktik_insurance-in-indonesia-become-better) downloaded on May 11, 2025

of PSAK 117, helps investors to understand changes in insurance company performance. For insurance policyholders, it can protect transparency in the disclosure of insurance financial statements. As for the benefits for regulators and actors, the supervisory component is seen as more qualified because it can be expected that financial governance is more transparent. This standardizes insurance accounting so that it can help users in making comparisons between countries and with other industries, past performance, current financial position, and risk exposure. PSAK 117 is also prepared for consistency with other PSAKs. In terms of standardization of income recognition, revealing the differences in accounting treatment between investors and insurance analysis to synchronize and understand the differences between previous insurance practices, and expecting increased supervision of insurance companies.²³ This is related to cases of misuse of customer funds carried out by insurance companies. Among them are financial cases at PT. Asabri (Persero), whose losses amounted to Rp23 trillion (US\$1.49 billion), and PT. Jiwasraya (Persero), which caused losses to customers of up to Rp17 trillion (US\$1.1 billion), then the OJK said that 11 insurance companies received special supervision. Two of them had their permits revoked. Currently, four companies have submitted their Financial Restructuring Plans for review by the OJK. Meanwhile, five other companies are still under supervision and have been given a warning by the OJK.²⁴ The implementation of PSAK 74 plays a role in encouraging national economic growth, both as a provider of community risk management services and as an institutional investor that meets long-term funding needs. This can also be a solution to the problems experienced by several insurance industry players which in recent years have the potential to erode public trust. Examining the accountability of shirkah management as a form of Sharia business partnership. This principle is very relevant to the practice of managing participant funds in sharia insurance, where financial separation and disclosure are mandatory by PSAK 117.²⁵ Meanwhile, Abbas & Arizah discusses the application of the principle of profit sharing in Islamic banking, which demands a fair and transparent reporting system.²⁶ This is in line with the goal of PSAK 117 in improving the comparability and transparency of insurance companies' financial statements.

RESEARCH METHODS

The design of this research includes a literature research with a descriptive approach in financial accounting. Namely, revealing the differences between PSAK 117

²³Daffa Raihan Dewanto, *Loc.Cit.*

²⁴Pernita Hestin Untari, *Loc.Cit.*

²⁵Muryani Arsal, Ainun Arizah, Nurul Fuada, and Rezky Vivi Elfhita. (2023). Strengthening the accountability of shirkah management. JMM (Journal of Independent Society). (https://scholar.google.com/citations?view_op=view_citation&hl=id&user=GXaFSFkAAAAJ&pagesize=80&citation_for_view=GXaFSFkAAAAJ:Qo2XoVZTnwC) downloaded on May 11, 2025

²⁶Ahmad Abbas, Ainun Arizah. (2019). Marketability, profitability, and profit-loss sharing: evidence from sharia banking in Indonesia. Asian Journal of Accounting. (https://scholar.google.com/citations?view_op=view_citation&hl=id&user=GXaFSFkAAAAJ&pagesize=80&citation_for_view=GXaFSFkAAAAJ:-f6ydRqryjwC) didownload pada Tanggal 11 Mei 2025

and the previous accounting standards, then making a correction journal that is considered necessary. Because it refers to PSAK 117, replacing PSAK 74 as an accounting standard for insurance contracts in Indonesia. PSAK 117, which adopts IFRS 17, offers a more structured and comprehensive approach to the recording of insurance contracts than PSAK 74 (Daffa Raihan Dewanto, 2024).^{27,28} The main differences between PSAK 74 and PSAK 117 are as follows:

1. Recording and Reporting:

PSAK 117 adopts IFRS 17, thus providing a more modern framework and international standards for the recording and reporting of insurance contracts.

2. Measurement Model:

PSAK 117 uses a more transparent measurement model, making it possible to see the gains and losses incurred in the insurance contract, as well as the factors that affect the change in profits or losses.

3. Disclosure:

PSAK 117 requires more detailed disclosure in financial statements, thereby increasing transparency for users of financial statements.

4. Purpose:

The implementation of PSAK 117 aims to improve the quality and transparency of insurance companies' financial reporting, as well as provide the same level of comparability as global insurance companies. In other words, PSAK 117 is an update of PSAK 74, which aims to improve the accounting standards of insurance contracts in Indonesia by focusing on transparency, accuracy, and comparability with international standards.

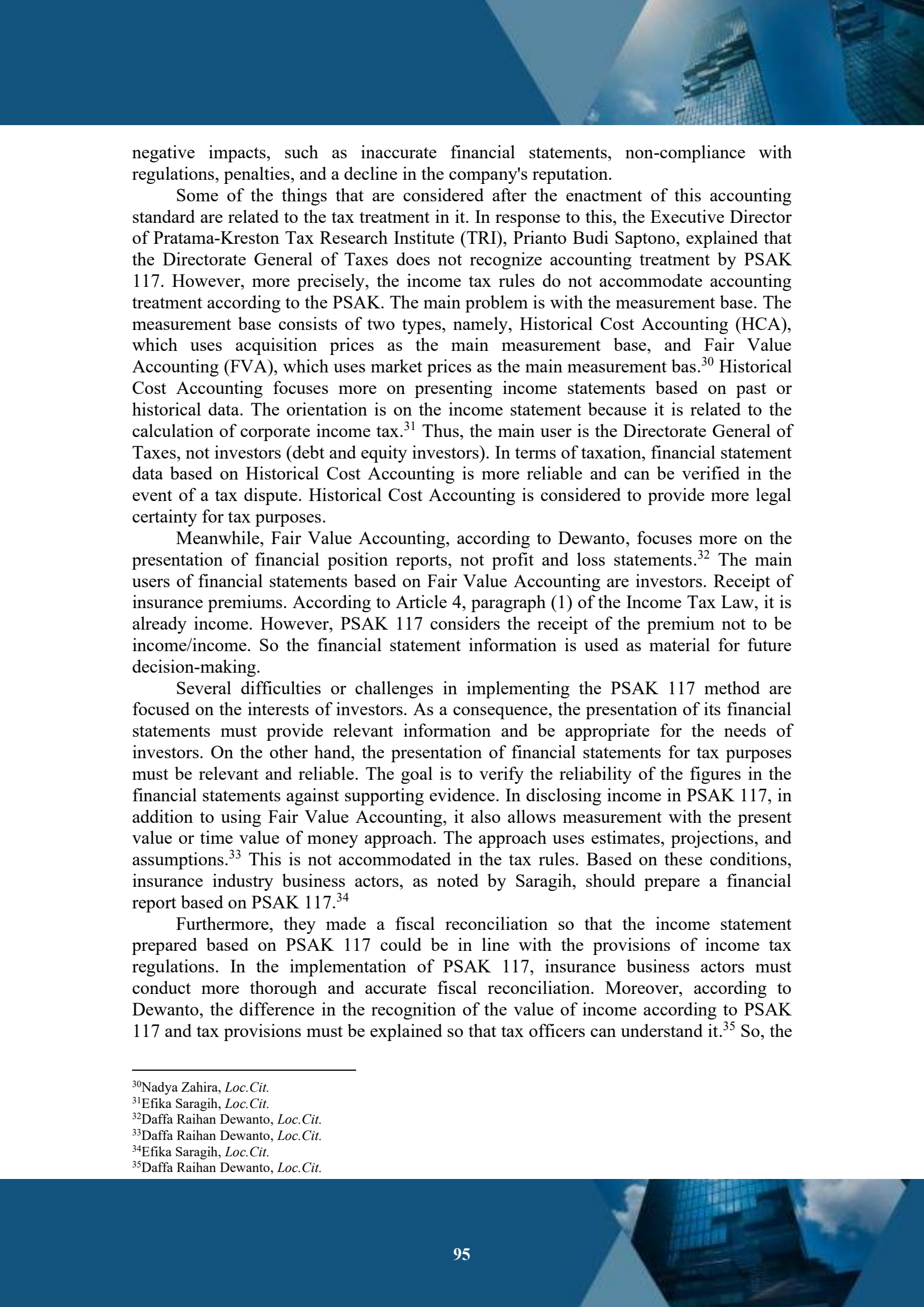
RESULTS AND DISCUSSION

The correction is made by insurers effective from January 1, 2025, namely after the implementation of PSAK 117 related to the insurance industry, especially related to adjustments that insurance companies must make after its implementation. These adjustments include various aspects, including changes in financial reporting, risk analysis, and asset management. PSAK 117 by Saragih equalizes the way Indonesian insurance companies' financial statements are recorded with international standards, so that they can be compared, because insurance contracts aim to increase the transparency and accountability of insurance companies' financial statements.²⁹ IAI said that PSAK 117 also strengthens corporate governance through a *three-line approach of defense* involving the *first* line for product and risk management, the *second* line for risk monitoring, and the *third* line for independent internal audits, with more structured risk mitigation. Insurance companies can overcome *strategic risks*, *business risks*, and *operational risks* more effectively through this scheme. In addition, the implementation of this standard encourages a digital transformation of collaboration between functions, including finance, actuarial, and IT, leading to improved governance and operational efficiency. However, inaccuracies in the implementation of PSAK 117 can have

²⁷Aulia Putri Pandamsari, *Loc.Cit.*

²⁸Daffa Raihan Dewanto, *Loc.Cit.*

²⁹Efika Saragih. (2024). Financial Profession Expo 2024 Webinar Discusses the Impact of the Implementation of PSAK 117 on Business. (<https://pppk.kemenkeu.go.id/in/post/webinar-profesi-keuangan-expo-2024-bahas-dampak-implementasi-psak-117-terhadap-bisnis>) to be downloaded in 2025.



negative impacts, such as inaccurate financial statements, non-compliance with regulations, penalties, and a decline in the company's reputation.

Some of the things that are considered after the enactment of this accounting standard are related to the tax treatment in it. In response to this, the Executive Director of Pratama-Kreston Tax Research Institute (TRI), Prianto Budi Saptono, explained that the Directorate General of Taxes does not recognize accounting treatment by PSAK 117. However, more precisely, the income tax rules do not accommodate accounting treatment according to the PSAK. The main problem is with the measurement base. The measurement base consists of two types, namely, Historical Cost Accounting (HCA), which uses acquisition prices as the main measurement base, and Fair Value Accounting (FVA), which uses market prices as the main measurement base.³⁰ Historical Cost Accounting focuses more on presenting income statements based on past or historical data. The orientation is on the income statement because it is related to the calculation of corporate income tax.³¹ Thus, the main user is the Directorate General of Taxes, not investors (debt and equity investors). In terms of taxation, financial statement data based on Historical Cost Accounting is more reliable and can be verified in the event of a tax dispute. Historical Cost Accounting is considered to provide more legal certainty for tax purposes.

Meanwhile, Fair Value Accounting, according to Dewanto, focuses more on the presentation of financial position reports, not profit and loss statements.³² The main users of financial statements based on Fair Value Accounting are investors. Receipt of insurance premiums. According to Article 4, paragraph (1) of the Income Tax Law, it is already income. However, PSAK 117 considers the receipt of the premium not to be income/income. So the financial statement information is used as material for future decision-making.

Several difficulties or challenges in implementing the PSAK 117 method are focused on the interests of investors. As a consequence, the presentation of its financial statements must provide relevant information and be appropriate for the needs of investors. On the other hand, the presentation of financial statements for tax purposes must be relevant and reliable. The goal is to verify the reliability of the figures in the financial statements against supporting evidence. In disclosing income in PSAK 117, in addition to using Fair Value Accounting, it also allows measurement with the present value or time value of money approach. The approach uses estimates, projections, and assumptions.³³ This is not accommodated in the tax rules. Based on these conditions, insurance industry business actors, as noted by Saragih, should prepare a financial report based on PSAK 117.³⁴

Furthermore, they made a fiscal reconciliation so that the income statement prepared based on PSAK 117 could be in line with the provisions of income tax regulations. In the implementation of PSAK 117, insurance business actors must conduct more thorough and accurate fiscal reconciliation. Moreover, according to Dewanto, the difference in the recognition of the value of income according to PSAK 117 and tax provisions must be explained so that tax officers can understand it.³⁵ So, the

³⁰Nadya Zahira, *Loc. Cit.*

³¹Efika Saragih, *Loc. Cit.*

³²Daffa Raihan Dewanto, *Loc. Cit.*

³³Daffa Raihan Dewanto, *Loc. Cit.*

³⁴Efika Saragih, *Loc. Cit.*

³⁵Daffa Raihan Dewanto, *Loc. Cit.*

implementation of PSAK 117 by Saragih needs to ensure the company's readiness by conducting a gap analysis, implementing the Actuarial Engine, and implementing the Enterprise Resource Planning (ERP) system.³⁶ This initial step is expected to increase the effectiveness of implementation and minimize the impact of risks from the implementation of PSAK 117. With the implementation of PSAK 117, it is hoped that it can provide a more current and consistent picture of the company's financial position, which focuses on Present Value, profit recognition, and comparability with other companies in the industry.

Here are some corrections made to differentiate between PSAK 117 and PSAK 74 as a substitute.

Table 1. Differences between PSAK 117 and PSAK 74

Correction Difference	PSAK 74	PSAK 117	Journal of Correction
Income Disclosure	Requires gradual recognition of income in line with the provision of insurance services	Adopt a more structured and comprehensive approach in accordance with the insurance contract	Correction of insurance premium income
	Cash... Premium Income...	Cash... Present Value Award Debt-Difference...	Premium Income... Present Value Award Debt-Difference...
Cost Disclosure	Focus more on specifics and may be less detailed in specific cost disclosures	Provides a broader framework for measuring and disclosing costs associated with insurance contracts, including acquisition costs, maintenance costs, and other costs	Correction of marketing costs to acquisition, maintenance, and deferred costs
	Marketing Load... Cash...	Acquisition Costs Deferred... The Burden of Maintaining an Insurance Policy... Operating Expenses of Insurance Contracts... Cash...	Acquisition Costs Deferred... The Burden of Maintaining an Insurance Policy... Operating Expenses of Insurance Contracts... Marketing Load...
Disclosure of Premium and Reserve Values	Using the Premium and Reserve model	It uses the present value model and also offers a more comprehensive and structured approach in the recording of insurance contracts compared to PSAK 74	Correction to Premium and Reserve Value Disclosure
	Cash... Premium Income Cadangan Award What hasn't been acknowledged... Contractual Liability Insurance...	Liability Insurance Contracts... Cash... Liability Insurance... Contractual Liability Insurance...	Unrecognized Premium Proposals... Liability Burden Insurance Liability...
Disclosure of Liability	Along with using inaccurate estimates	Using the present value of all expected future cash	Correction to liability disclosure

³⁶Efika Saragih, *Loc. Cit.*

Correction Difference	PSAK 74	PSAK 117	Journal of Correction
		flows and also providing better transparency of any losses incurred on the insurance contract	
	Liability Insurance Contracts... Cash... Load Adjustment Insurance Liability...	Liability Insurance Contracts... Insurance Liability Benefits... Cash... Liability Gains Insurance... Liability Expense Insurance...	Insurance Liability Adjustment Expenses... Liability Gains Insurance..
Disclosure of Claim Value	Using the Contractual Service Margin (CSM) method to calculate insurance revenue	Using a more comprehensive Cash Flow model with risk and future cash flow in mind	Correction to Claim Value Disclosure
	CSM Liability... Insurance Income... Cash... CSM Liability... CSM advantages...	Liability Insurance Contracts... Cash... Risk Burden and Discount... Liability Profit-Insurance bags...	CSM Liability... Risk Burden and Discount...

Source: Data Processed 2025

The implementation of PSAK 117, according to Triwardhany, is not only the issuance of this accounting standard as a requirement for accounting disclosure.³⁷ However, it is an opportunity for insurance companies to strengthen their accounting and management systems. The implementation of PSAK 117 also provides continuous protection for customers until the policy coverage period ends. Benefits for stakeholders. Others, such as policyholders and investors, can affirm the commitment of insurance companies to submit transparent financial statements to provide protection services. Another thing with the enactment of PSAK 117 is that it provides a clear boundary between insurance income and investment income.³⁸ In the event of disclosure of the calculation of risk reserves or *reserves*, it can increase customer confidence that insurance claims for customers can be processed based on the terms of the customer's policy, and can ensure the realization of payments on customer policy claims. The implementation of this accounting standard creates a safer and more secure environment for customers. At the time of the enactment of PSAK 74, it also required a clear separation between insurance business income and investment income so that policyholders and investors get transparent information. Therefore, the implementation of PSAK 117 will strengthen the sustainability of insurance companies in Indonesia in innovating to produce insurance products that meet long-term protection needs.

³⁷Michellina Laksmi Triwardhany. (2024). Prudential Indonesia Ready to Implement PSAK 117, Realizing Sustainable Protection for Customers Now and Later. Prudential Indonesia. (<https://www.prudential.co.id/id/news/media/siaran-pers/prudential-indonesia-siap-terapkan-psak-117-wujudkan-perlindungan-berkelanjutan-bagi-nasabah-kini-dan-nanti/>) downloaded on May 11, 2025

³⁸Efika Saragih, *Loc. Cit.*

PSAK 117 also has a different application system from other PSAKs, particularly in the recognition and measurement of insurance contracts. Meanwhile, other PSAKs focus on assets and liabilities in general. PSAK 117 by Saragih has a more specific and comprehensive approach to insurance contracts.³⁹

1. PSAK 117 Implementation System:

a. More comprehensive recognition and measurement:

PSAK 117 uses a more structured measurement model and covers various aspects of insurance contracts, such as contractual service margins, and measures them based on potential future revenues and liabilities.

b. Contractual Service Margin:

PSAK 117 introduces the concept of contractual service margins, which presents unrecognized profits that will be recognized when an entity provides insurance contract services. This margin is calculated by taking into account all potential income and liabilities from the insurance contract.

c. More detailed disclosure:

PSAK 117 requires insurers to disclose more detailed information about insurance contracts, including structure, risks, and potential returns, which is more transparent to stakeholders.

2. Other PSAK Implementation Systems:

a. Focus on general assets and liabilities:

Other PSAKs generally focus on the recognition, measurement, presentation, and disclosure of assets and liabilities in general, such as inventory, debt, revenue, and expenses.

b. More varied measurement models:

Other PSAKs use various measurement models, such as historical costs, fair value, and present value, according to the characteristics of recognized assets and liabilities.

c. More common disclosures:

Other PSAKs use various measurement models, such as historical costs, fair value, and present value, according to the characteristics of recognized assets and liabilities.

This accounting standard affects insurance financial statements, as explained by Saragih, including policyholder companies. Investors and other related parties.⁴⁰ This impact can be in the form of an increase or decrease in the company's performance, changes in investment decision-making, and its impact on the company's reputation for shareholders and investors.^{41.42.43}

1. Impact of insurance financial statements:

Financial performance of insurance companies:

a. The application of accounting standards such as PSAK 117 or IFRS 17 can affect the recording of revenue, expenses, and profit and loss, so that it can have an impact on the company's financial performance.

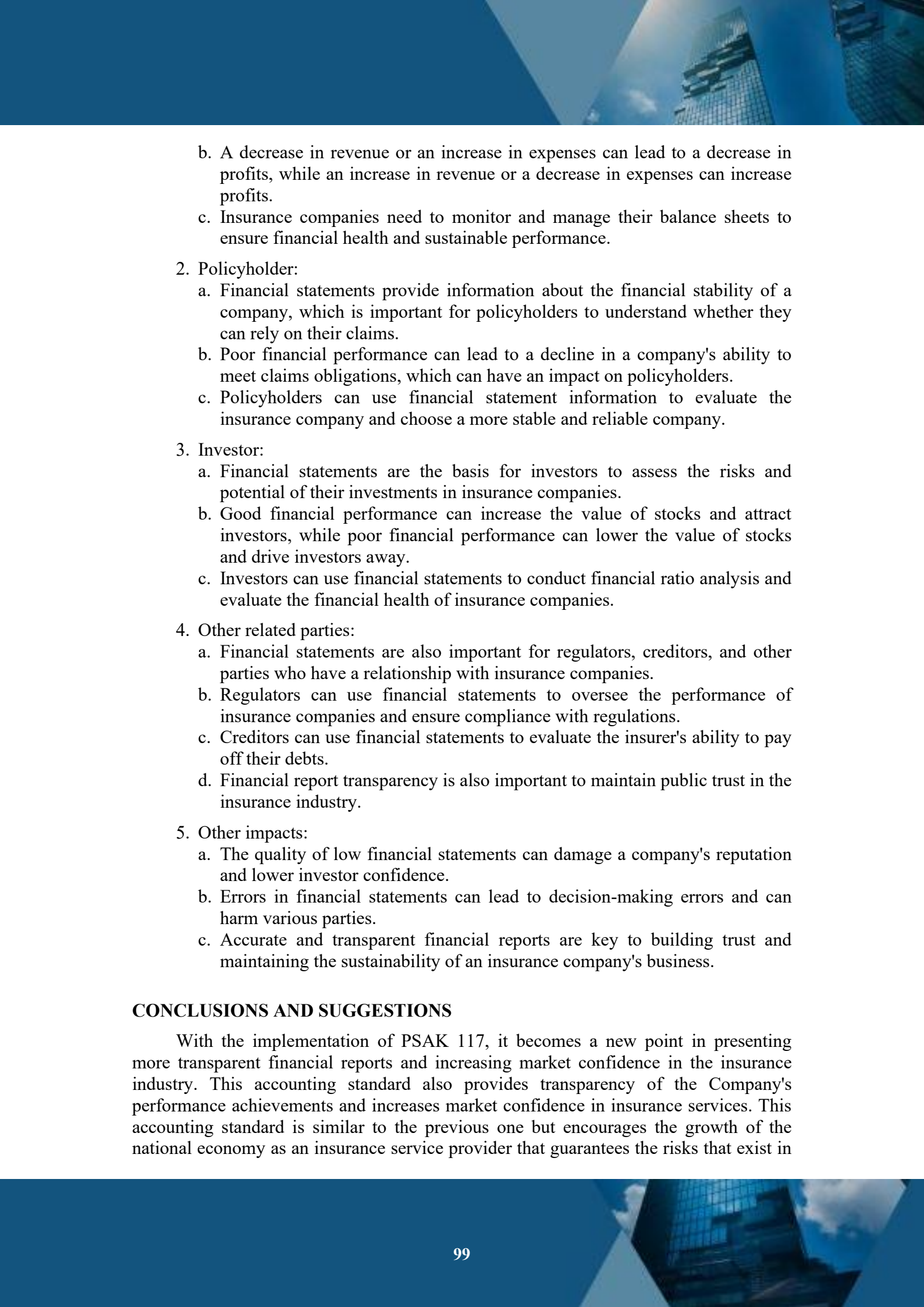
³⁹Efika Saragih, *Loc. Cit.*

⁴⁰Efika Saragih, *Loc. Cit.*

⁴¹Muhamad Fauzi, *Loc. Cit.*

⁴²Nadya Zahira, *Loc. Cit.*

⁴³Pernita Hestin Untari, *Loc. Cit.*

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- b. A decrease in revenue or an increase in expenses can lead to a decrease in profits, while an increase in revenue or a decrease in expenses can increase profits.
 - c. Insurance companies need to monitor and manage their balance sheets to ensure financial health and sustainable performance.
2. Policyholder:
- a. Financial statements provide information about the financial stability of a company, which is important for policyholders to understand whether they can rely on their claims.
 - b. Poor financial performance can lead to a decline in a company's ability to meet claims obligations, which can have an impact on policyholders.
 - c. Policyholders can use financial statement information to evaluate the insurance company and choose a more stable and reliable company.
3. Investor:
- a. Financial statements are the basis for investors to assess the risks and potential of their investments in insurance companies.
 - b. Good financial performance can increase the value of stocks and attract investors, while poor financial performance can lower the value of stocks and drive investors away.
 - c. Investors can use financial statements to conduct financial ratio analysis and evaluate the financial health of insurance companies.
4. Other related parties:
- a. Financial statements are also important for regulators, creditors, and other parties who have a relationship with insurance companies.
 - b. Regulators can use financial statements to oversee the performance of insurance companies and ensure compliance with regulations.
 - c. Creditors can use financial statements to evaluate the insurer's ability to pay off their debts.
 - d. Financial report transparency is also important to maintain public trust in the insurance industry.
5. Other impacts:
- a. The quality of low financial statements can damage a company's reputation and lower investor confidence.
 - b. Errors in financial statements can lead to decision-making errors and can harm various parties.
 - c. Accurate and transparent financial reports are key to building trust and maintaining the sustainability of an insurance company's business.

CONCLUSIONS AND SUGGESTIONS

With the implementation of PSAK 117, it becomes a new point in presenting more transparent financial reports and increasing market confidence in the insurance industry. This accounting standard also provides transparency of the Company's performance achievements and increases market confidence in insurance services. This accounting standard is similar to the previous one but encourages the growth of the national economy as an insurance service provider that guarantees the risks that exist in



the community, and guarantees the community as institutional investors who can provide funding for a more extended period. With the enactment of PSAK 117, insurance companies can no longer recognize premium income as their assets, but recognize premium income of policyholders' assets to guarantee insurance partners to invest in potentially high-risk insurance instruments.

For companies that have carried out a parallel run process for PSAK 117, it is expected to synchronize financial reporting, including with the Ministry of Finance through the Directorate General of Taxes, the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI), and the Indonesian Actuarial Association (PAI). The coordination aims to produce technical guidance related to the determination of assumptions and bridging and conversion formats of the PSAK 117 report so that it can be adapted into the format of the agency's annual tax return. With the implementation of PSAK 117 Insurance Contracts, it aims to increase the transparency and accountability of insurance companies' financial statements, equalizing the way Indonesian insurance companies' financial statements are recorded with international standards so that they can be compared. This accounting standard is also expected to strengthen corporate governance through a three-line approach of defense involving the first line for product and risk management, the second line for risk monitoring, and the third line for independent internal audits. With more structured risk mitigation, insurance companies can address strategic risk, business risk, and operational risk more effectively through this scheme. In addition, the implementation of these standards drives digital transformation and collaboration across functions, including finance, actuarial, and IT, leading to improved governance and operational efficiency.

The general insurance industry in January 2025, managed to reverse the loss trend that had lasted for the previous nine months. Net profit recorded reached Rp1.65 trillion, an increase of 53.88% on an annual basis. Previously, this industry experienced consecutive net losses from April 2024 to December 2024. The deepest loss occurred in October 2024, which reached Rp20.19 trillion. However, the amount of losses began to shrink in November to Rp13.52 trillion and fell again to Rp8.9 trillion in December 2024. This is due to the adjustment of reserves in preparation for the implementation of PSAK 117. The increase in Premium Reserves and CAPYBMP was significant, increasing from Rp. 7.1 trillion to Rp26.3 trillion ahead of the implementation of PSAK 117. However, in January 2025, the amount of these Reserves decreased by 12.27% in line with the improvement in the profits of general insurers. The gross premium income of the general insurance industry decreased by 11.95% yoy to Rp11.40 trillion as of January 31, 2025. However, net premiums still grew by 4.24% yoy to Rp6.90 trillion. On the other hand, gross claims, increased by 7.51% yoy to Rp3.78 trillion. Meanwhile, net claims and benefits increased by 4.33% to Rp3.01 trillion. Thus, the general insurance industry recorded positive underwriting results of Rp2.13 trillion, an increase of 21.09% yoy. This gain was also supported by an increase in investment returns by 3.83% to Rp682.49 billion in January 2025. The implementation of PSAK 117 has a significant impact on the financial records of insurance companies, with an encouraging increase in profits for the industry after a difficult period in 2024. Industry players are expected to continue to adapt to new accounting standards to ensure sustainable growth.

With the enactment of this accounting standard, insurance companies can help mitigate risks quickly. With the enactment of PSAK 117, it can strengthen the strategic risk side, namely, for insurance companies, it is necessary to mitigate at a strategic

level. When viewed from the business *risk* side, insurance companies need to consider the rapid market competition, especially when they can anticipate companies that have just entered the market. By adopting the application of the time value of money and making risk adjustments, it can show future profit projections, and even the potential for insurance company financial disclosure to be more accurate in the form of accounting reports. With the enactment of this accounting standard, it can maximize the management of assets and debts. The capital management and financial solvency management are expected to be more controlled and show effective mitigated risk assessments until more accurate financial statements disclosure.

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