



Contemporary Accounting Case Studies

Vol. 2, No. 1, March 2023

Article 17

ANALYSIS OF CRITICAL ACCOUNTING ISSUE PSAK NO.74 (IFRS 17) AT PROGRAM ASURANSI SOSIAL X

Lucky Parwitasari

Master of Accounting Program, Faculty of Economics and Business, Universitas Indonesia
luckyparwita81@gmail.com

Dr. Ludovicus Sensi W. S.E., M.M

Master of Accounting Program, Faculty of Economics and Business, Universitas Indonesia
ludovicussensiwondabio@gmail.com

ANALYSIS OF CRITICAL ISSUE IMPLEMENTATION PSAK NO.74 (IFRS 17) AT PROGRAM ASURANSI SOSIAL

Lucky Parwitasari**, *Ludovicus Sensi Wondabio

Master of Accounting Program, Faculty of Economics and Business, Universitas
Indonesia

ABSTRACT

IFRS 17 is the first international standard for accounting for insurance contracts, effective January 1, 2023. IFRS 17 focuses on the process of measuring and presenting insurance contracts in financial statements. In Indonesia, IFRS 17 is entirely adopted in PSAK No.74 which will be effective from January 1, 2025. Early adoption of PSAK No.74 is permitted for entities that have already implemented IFRS 9. IFRS 17 applies to all entities that issue insurance contracts including social insurance. Social insurance programs in Indonesia are implemented through SJSN, coordinated by DJSN and implemented through BPJS. Meanwhile, DJS is a contribution obtained from the Government, participants, and employers along with the results of the development which are collected through BPJS. This study aims to identifying critical issues that will be faced by Badan Pengelola Asuransi Sosial when applying PSAK No. 74, and their impact to the financial statements of Program Asuransi Sosial. The research was conducted with qualitative methods through case studies using triangulation techniques to analyze research instruments in the form of documentation, semi-structured interviews and observation. From the results of the study, it was found that determining the appropriate assumptions and measurement models in performing CSM calculations became a critical accounting issue faced by Badan Pengelola Asuransi Sosial when implementing PSAK No.74, while the financial statements of Program Asuransi Sosial will not change except for modifications in several accounts related to the implementation of PSAK No.74.

Keywords: social insurance, financial statements, implementation, PSAK No.74.

* Corresponding Author's Email: luckyparwita81@gmail.com

1. INTRODUCTION

IFRS 17 is the first international standard for accounting for insurance contracts, effective internationally starting January 1, 2023. The length of time it takes from the issuance date to the effective date shows that IFRS 17 is a complex standard that has fundamental differences from IFRS 4. IFRS 17 focuses on the process of measuring and presenting insurance contracts in financial statements. Meanwhile, IFRS 4 focuses on disclosure of the amount, timing, and uncertainty of future cash flows from insurance policies.

The ratification of IFRS 17 is a concern for users of financial statements, especially for entities that issue insurance contracts. Changes in these standards will have an impact on the emergence of new regulations that will affect the process of preparing financial statements to encourage changes in the business processes of an entity. At the time of application of PSAK No. 62, the actuary's task is limited to calculating premium reserves and analyzing the assumptions used, while the accounting department will use the results of these calculations as the basis for recording premium reserves in the income statement. With the implementation of IFRS 17, the data recorded in the entity's IT system will be processed directly by actuaries, while the valuation results will be recorded directly in the accounting system. As a result, the implementation of IFRS 17 is a challenge for entities to improve their technology systems, including the installation process, modification, IT system testing, business process changes and control processes including cross-functional or departmental coordination (finance, actuarial, and information technology). As for investors and other users of financial statements, there is a need to understand the changes that will occur and how they will change (KPMG, 2020).

According to Law No. 40 of 2004, social insurance is a mandatory mechanism for collecting funds from contributions in order to provide protection against socio-economic risks that befall participants and/or their family members. According to Purba (2011), social insurance is an insurance provider of social security for members community formed by the government based on regulations that regulate the relationship between the insurer and all groups of society. The social insurance program in Indonesia is implemented through the SJSN, which is coordinated by the DJSN, and implemented by several BPJS. DJS is a contribution from participants and employers along with the results of the development which are collected through BPJS. BPJS membership is valid for life and cannot be canceled. The amount of contributions paid by participants is determined based on a presidential decree which is reviewed every 2 (two) years.

The implementation of PSAK No.74 for insurance contracts, applies to insurance companies as a whole without the exception for social insurance. The characteristics, business processes, and organizational structures that are different from other Company in general, encourages the authors to identified accounting issue and the impact of financial statements of Program Asuransi Sosial when implementation of PSAK No.74.

2. LITERATURE REVIEW

2.1. SOCIAL INSURANCE

William Beveridge (1942), social insurance is explained as a gift in return for contributions, benefits up to the level of subsistence, as a true test and without means, so that individuals can build freely on it. Beveridge proposed a comprehensive social insurance system that he saw as capable of protecting people from birth to burial. Voluntary social insurance is aimed at sections of society where the benefits they receive are proportional to the premiums paid and offer limited protection to individual risks and do not aim to provide a minimum standard of living. The characteristics of social insurance include: (1) contributions are given by the employer, the state and workers, (2) the nominal amount paid by workers does not exceed their ability, while the employer and the state provide the largest part of the finances. (3) aims to ensure the maintenance of a minimum standard of living for beneficiaries during periods of partial or total loss of income. (4) Benefits are given as the right of the recipient (5) are mandatory so that the benefits can reach all communities in need, (6) reduce suffering arising from contingencies faced by individual contingencies that cannot be prevented.

Based on Law no. 40 of 2004 concerning Sistem Jaminan Sosial Nasional, it is explained that social insurance is a mechanism for collecting funds that are mandatory from contributions in order to provide protection against socio-economic risks that befall participants and/or their family members. Purba (2011), social insurance is an insurance provider of social security for community members established by the government based on regulations governing the relationship between the insurer and all community groups. Mustaqim (2015), social insurance is an insurance program organized by State-Owned Enterprises, based on law, is mandatory, as a basic protection for the welfare of the community. Social insurance designed to provide benefits to a person whose income has been cut off due to social and economic conditions or due to the inability to control individual solutions. In Indonesia, types of social insurance offered by the government in several forms and are mandatory as described in the following table.

Table 1. Types of Social Insurance in Indonesia

Insurance Type	Management
Labor Social Insurance	PT Tabungan dan Asuransi Pegawai Negeri (Taspen) PT Perum Asuransi Sosial ABRI (ASABRI) PT Jaminan Sosial Tenaga Kerja (JAMSOSTEK) become BPJS Ketenagakerjaan
Health Insurance	PT Asuransi Kesehatan Indonesia (ASKES) become BPJS Kesehatan
Accident insurance	PT Asuransi Jasa Raharja

Source: Husein Umar (2000).

2.2. SISTEM JAMINAN SOSIAL NASIONAL (SJSN)

SJSN is a state program that aims to provide certainty of social protection and welfare for all Indonesian people, which is organized by BPJS. SJSN is held based on the principle of humanity, the principle of benefit, and the principle of social justice for all Indonesian people and is held based on the principles of: (a) mutual cooperation; (b) non-profit; (c) openness; (d) prudence; (e) accountability; (f) portability; (g) participation is mandatory; (h) trust fund; and (i) the results of the management.

2.3. BADAN PENYELENGGARA JAMINAN SOSIAL (BPJS)

BPJS is a legal entity, established by law, administering social security programs. There are two (2) kind social security programs mandated by BPJS is health insurance and Employment (work accident insurance; death, pension and old age). Social Security Fund (DJS) is a “mandated fund, a set of contributions paid by participants, along with the results of their development”. The funds are used to pay benefits to participants and fund the operation of the social security program. DJS is managed and developed by BPJS, based on aspects of liquidity, solvency, prudence, security, including adequate returns.

The management program that carried out by BPJS is not limited to assets, but also related to the obligations of the social security program covering all expenses related to the implementation of the social security program and the payment of benefits to participants, which include: claim payable; accumulation of contributions whose participants have not yet been able to identify; technical reserves; and other liabilities. Liability Adequacy Test (LAT) on technical reserves is carried out using current estimates of estimated future cash flows based on insurance contracts in accordance with PSAK 62 “Insurance Contracts”.

2.4. IPSAS No.42 “SOCIAL BENEFIT

Social benefits are defined as cash transfers paid to certain individuals and/or households to reduce the impact of social risks, such as: state pension benefits, disability benefits, income benefits and unemployment benefits. For countries implementing social insurance that do not have specific standards to regulate social insurance, they can use international and national accounting standards related to insurance contracts based on the explanation of IPSAS 42 paragraph 4c:

“This Standard applies to a transaction that meets the definition of a social benefit. This Standard does not apply to cash transfers that are accounted for in accordance with other Standards:

(a).....

(b).....

(c) Insurance contracts that are within the scope of the relevant international or national accounting standard dealing with insurance contracts”.

2.5. IFRS 4 (PSAK No.62)

IFRS 4 focuses on disclosure of insurance contracts, regarding the amount, timing and uncertainty of future cash flows. At the end of each reporting period, insurers assess the adequacy of insurance liabilities for premium reserves and claims reserves using current estimates of future cash flows based on insurance contracts. If the carrying amount of an insurance liability is insufficient compared to the estimated future flows, the entire shortfall will be recognized in profit or loss in the current period. (PSAK No. 62, paragraph 15).

2.6. IFRS 17 (PSAK No.74)

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of PSAK No.74 (IFRS 17) is to ensure that an entity provides relevant information that faithfully represents those contracts. Early adoption of IFRS 17 is allowed before its effective date, if the entity has already applied IFRS 9: Financial instruments. Development of IFRS 17: can seen in the following figure:

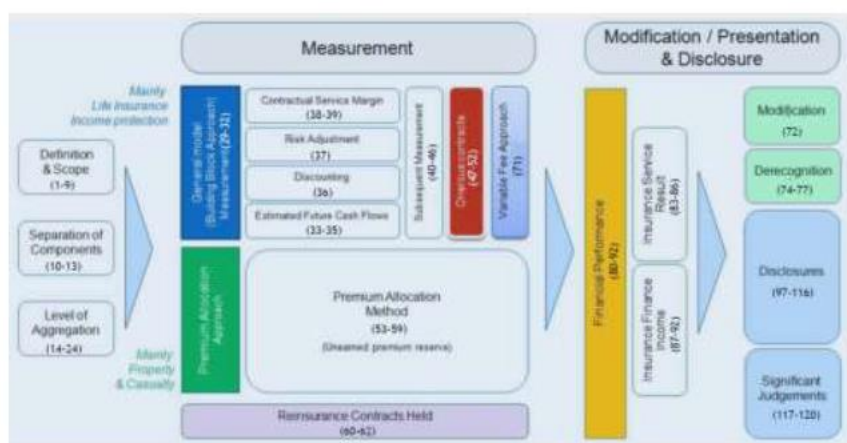


Figure 1. Development focus area of IFRS 17.

Source: (IFRS,2017)

2.6.1 RECOGNITION

At the first time of implementation of PSAK No.74, entities are required to separate the non-insurance components from an insurance contract. In determining the level of aggregation, the entity identify and classify insurance contracts based on portfolios that have similar risks and are managed together. There is no limit to grouping a portfolio of insurance contracts issued by an entity, however, the minimum portfolio division, (PSAK No. 74, paragraph 16):

- a) *Loss of contract group (onerous) at initial recognition.*
- b) *The group of contracts upon initial recognition does not have a significant probability of becoming a loss contract.*
- c) *The remaining group of contracts in the portfolio.*

The separation grouping of insurance contract portfolios does not apply if there are special laws or regulations that restrict the entity from determining price changes or benefits for policyholders with different characteristics.

2.6.2 MEASUREMENT MODEL

On initial measurement An entity should recognise a group of insurance contracts it issues from the earliest of the following:(1)the beginning of the coverage period of the group of contracts; (2) date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date,(3) for a group of onerous contracts, when the group becomes onerous.

There are three (3) types of measurement models in calculating insurance liability based on PSAK No.74 (IFRS 17), such as:

1. Building Block Model (General Measurement Model “GMM”).

The general model measures a group of insurance contracts as the sum of the following components, or ‘building blocks’, for each group of insurance contract. The initially measured GMM explained in the following formula:

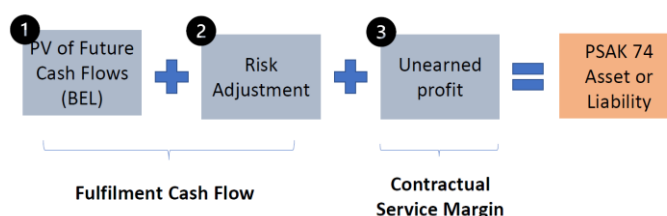


Figure 2 Formula GMM - IFRS 17

Source: Sue Loyd (IASB 2018)

The fulfilment cash flows are the current estimates of the amounts that an insurer expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty in those amounts. The adjustment for uncertainty is called the risk adjustment. The contractual service margin represents the profit that the entity expects to earn as it provides insurance coverage. This profit is recognised in profit or loss over the coverage period as the company provides the insurance coverage. At initial recognition of the contracts, the contractual service margin is the present value of risk-adjusted future cash inflows less the present value of risk-adjusted future cash outflows. If contracts are onerous, losses are recognized immediately in profit or loss. No contractual service margin is recognised on the balance sheet on initial recognition

On subsequent measurement, the fulfilment cash flows are measured using current assumptions which is updated at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The way in which changes in estimates of the fulfilment cash flows are treated depends on which estimate is being updated: (a) changes that relate to current or past coverage are recognised in profit or loss. (b) changes that relate to future coverage are recognised by adjusting the contractual service margin.

2. Premium Allocation Approach (PPA)

PPA measurement method can be used by entities that have insurance contracts with insurance coverage of less than 1 (one) year. The use of the PPA measurement method for insurance contracts with a coverage period of more than 1 (one) year can only be chosen by the entity if the results of the eligibility test using GMM are

not significantly different. Usually this measurement model is used for general insurance.

3. Variable Fee Approach (VFA)

VFA is used when payments to policyholders depend on the performance of certain assets (direct participation features) such as unit links in life insurance.

2.6.3 PRESENTATION AND DISCLOSURE

2.6.3.1 STATEMENT OF FINANCIAL POSITION

An entity shall present separately in the statement of financial position the carrying amounts asset and liabilities of insurance contract with reinsurance contracts. By implementing PSAK No.74 (IFRS 17), liability adequacy test is no longer required given that the fulfilment cash flows are measured at current value. Comparison of financial position between IFRS 4 with IFRS 17 can be seen in following figure:

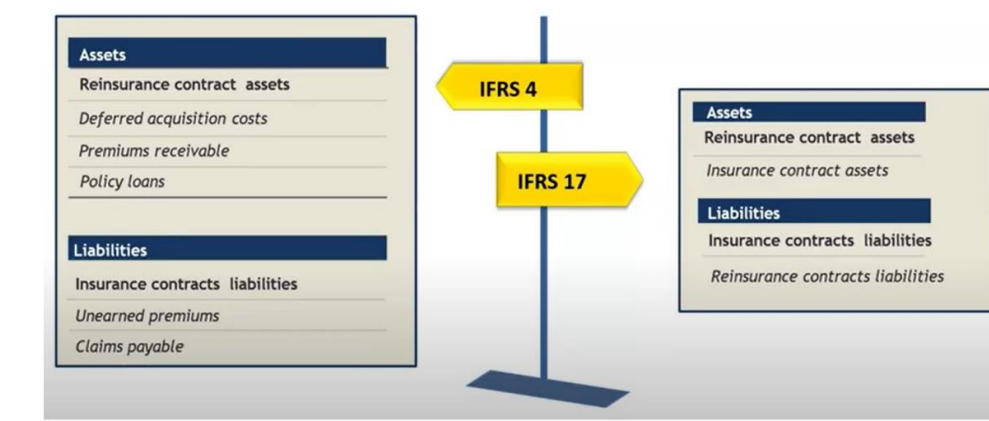


Figure 3 Financial Position

Source: Sensi Wondabio (2021).

2.6.3.1 STATEMENT OF FINANCIAL PERFORMANCE

Insurance income is the total of changes in liabilities on the remaining coverage period in the period related to services for which the entity expects to receive payment. PSAK No.74 requires an entity to separate the recognized amounts in the statement of profit or loss and other comprehensive income into result of insurance services which consists of insurance income and insurance service expenses, and insurance finance income or expenses. Insurance income and insurance service expenses presented in profit or loss does not include any investment component. Comparison of financial performance between IFRS 4 with IFRS 17 can be seen in following figure:

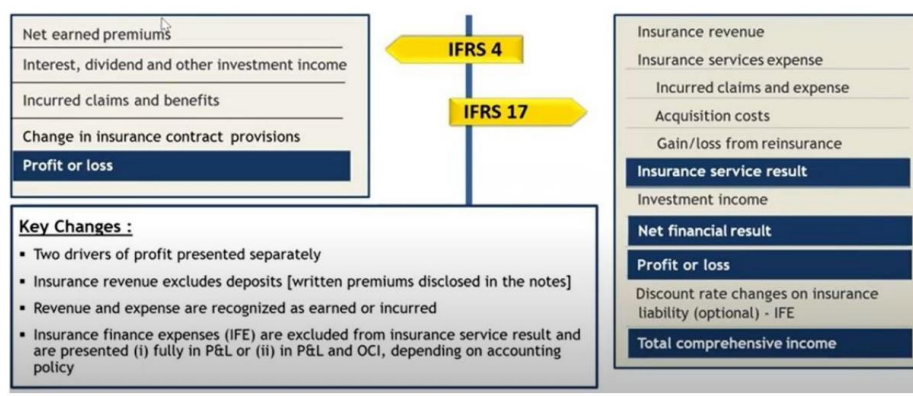


Figure 4 Financial Performance

Source: Sensi Wondabio (2021).

2.7 DIFFERENCES BETWEEN PSAK No.62 AND PSAK No.74

The differences between PSAK 62 and PSAK 74 regarding insurance contracts can be explained at table below:

Table 2. The differences between PSAK No.62 and PSAK No.74

Explanation	PSAK 62 (IFRS 4)	PSAK No. 74 (IFRS 17)
<i>Value of Insurance obligation</i>	Insurance contracts are measured using assumptions at the time of issuance and are not renewed throughout the life of the contract.	Insurance contracts are measured using current values using the latest assumptions of cash flows, discount rates and risk levels in each reporting period.
	Does not consider the time value of money in measuring claims obligations that occur in the future.	The use of the discount rate in measuring claims obligations that will occur in the future.
	Use of Expected Return On Assets as a discount rate in measuring insurance contracts.	The use of discount rates that reflect the Company's cash flows in measuring insurance contracts.
<i>Profitability</i>	The unavailability of information on the source of the benefits derived from the insurance contract.	Availability of information on various components of benefits obtained from current and future insurance contracts.
	Revenue recognition on a cash basis.	Unearned income is recognized when insurance coverage is provided.
	Many use non-GAAP measures.	Use less non-GAAP measures.

Source: IASB (2017)

2.8 PREVIOUS STUDIES

This case study uses references from the application of IFRS 17 on Insurance Companies in other countries. The absence of exceptions for social insurance not to apply IFRS 17 is the author's basis for using relevant previous research in conducting research on the application of PSAK No. 74 at Program Asuransi Sosial. The study of Al-Mashhadani and Al-Zubaidi (2020), Challenges of applying IFRS 17: Insurance Contracts, in the Iraqi environment, explain that the main challenges in the implementation of IFRS 17 faced by insurance Companies in Iraq is selection of the method used for initial and subsequent measurements of insurance contracts, estimates of future cash flows of contracts, selection of rates appropriate discount, as well as CSM calculations. While the study of L.Chan et al (2020), The Impact of IFRS 9 and IFRS 17 on the Regulation and Management of the Taiwan Life Insurance Industry: A Preliminary Analysis, explain that based on simulation results quantitatively carried out simultaneously, the application of IFRS 9 and IFRS 17 will impact on the income and equity of the life insurance company as a result of increase in the recording of liabilities so as to increase possibility of bankruptcy. Taiwan's life insurance market characteristics should be considered by regulators when formulating long-term interest rate curves in the future, and monitoring to reduce the impact of interest rate fluctuations.

3. RESEARCH METHODS

The researcher uses a case study strategy using a descriptive qualitative approach with research instruments using using primary and secondary data. The data were obtained through a process of interviews, documentation review, and observations. The interview guide used is only an outline of the problems that will be asked according to Sugiyono (2017, p. 197). The use of interviews with semi- structured techniques is used by researchers in analyzing and evaluating research by preparing a list of questions to the informants where the questions are further developed in accordance with the research objectives.

First, interviews were conducted online via Zoom with Deputy Directors for accounting division, and assistant deputy directors for actuarial division, since the position paper and gap analysis for implementation PSAK.No.74 created by both division. Various questions were sent to the interviewees before the interviews were held. Subsequently, various follow-up questions were not asked in the interview session but sent instead via the WhatsApp direct messaging platform.

Second, documents from official entity publications such as review of laws and regulations, information from print and electronic media for period 2020 to early 2022, and others. The main documentary information was taken by researcher is the 2020 entity's audit reports, which were given from the entity directly.

Finally, observations were made to prove the findings and confirm the data. The researcher makes observations by comparing the roadmap for the Implementation of PSAK No. 74 with the results of the position paper made by Badan Pengelola Asuransi Sosial. Through YouTube, researchers can identify crucial problems faced by insurance companies in preparing for the implementation of PSAK No.74 by watching and listening discussions and webinars organized by the Ministry of Finance, OJK, IAI and Persatuan Aktuaris Indonesia (PAI).

Data analysis used in this research is triangulation technique. Researchers used a comparison process between interview results, documentation, and findings that helped researchers evaluate the data collected from interview recordings and then transcribed into text. The text of the transcription will then be read carefully, note the ideas that arise and are categorized by theme.

4. ORGANIZATION PROFILE

Badan Pengelola Asuransi Sosial, was established on January 1, 2014 through the process of dissolving PT Askes (Persero) without liquidation. All assets such as Askes institution assets, and Askes participant funds, liabilities, as well as legal rights and obligations are transferred to Badan Pengelola Asuransi Sosial.

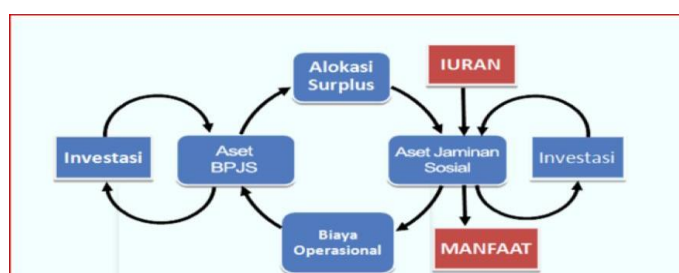


Figure 5 Business Process

Source: Buku Saku 2 - Paham BPJS (Asih Eka Putri, 2016)

In carrying out economic activities, the business processes that occur both of Badan Pengelola Asuransi Sosial and Program Asuransi Sosial are divided into several main activities, such as: (1) receive contributions from social security program participants, employers, and the government as the main source of income and support the survival of the agency administering social security programs; (2) providing services in the form of benefits to participants in the social security program; (3) provide assets derived from participant contributions to Badan Pengelola Asuransi Sosial where the amount is determined by the Minister of Finance every year. These assets are used for operational funds and increase service capacity; and (4) investing excess contributions from participants, employers, the government and the allocation of surplus obtained from Badan Pengelola Asuransi Sosial in guaranteed financial instruments such as

deposits, government bonds, and Bank Indonesia debt securities. If the funds of Program Asuransi Sosial are not sufficient for the payment of the participant's claims, the Government can provide an injection of funds to Badan Pengelola Asuransi Sosial or directly to Program Asuransi Sosial.

Since there is no control over Program Asuransi Sosial, both of their financial statements is no need to consolidated. The Financial statements of Badan Pengelola Asuransi Sosial are presented in accordance with the Indonesian Financial Accounting Standards (PSAK) No. 1 regarding "Presentation of Financial Statements". Meanwhile, Program Asuransi Sosial is presented in accordance with the Interpretation of Financial Accounting Standards (ISAK) No. 35 regarding "Presentation of Financial Statements of Non-Profit-Oriented Entities".

5. RESULT AND DISCUSSION

5.1 RESULTS- INTERVIEW

The establishment purpose of Program Asuransi Sosial is different from insurance companies in general. Wondabio (2021), PSAK 74 requires the management of Program Asuransi Sosial to be measured based on the principle of going concern in accordance with Badan Pengelola Asuransi Sosial's commitment to fulfill health insurance contract obligations to participants which will be calculated based on the fulfillment of sustainable cash flows. The differences in the characteristics of social insurance which is an issue in applying PSAK No. 74 ,will be explained as follows:

1. LEVEL CONTRACT AGGREGATION LEVEL

There is only 1 (one) type of insurance program with the same type of service and carried out on the basis of the principle of gotong royong. In terms of contributions, participation is divided into several segments (PBI, PPU, PBPU, BP, and PD Pemda). Meanwhile, from the method of collecting contributions, it is carried out using non-virtual accounts for PBI and ASN participants, as well as virtual accounts for PPU, PBPU, BP participants).

2. CONTRACT BOUNDARY

The membership of Badan Pengelola Asuransi Sosial doesn't have contract boundary since: (1) Membership is valid for life, starting from the first time the contribution is paid, (2) Temporary suspension of coverage occurs when the participant does not pay the premium at maturity and will be reactivated after payment of premium arrears is made for a maximum of 24 months, (c) The amount of the contribution is determined by the President. As a result, the Badan Pengelola Asuransi Sosial cannot determine its cash flows reliably.

4. MEASUREMENT OF THE ALLOCATION OF COSTS INTO CONTRACTS.

Badan Pengelola Asuransi Sosial has allocated a service guarantee fee to each participant, but the operational costs of the insurance program are determined by the Minister of Finance based on the percentage of contributions received. As a result, it

takes time to allocate fees and the burden of service and operational guarantees to the smallest units based on the number of existing participants..

5. RISK ADJUSTMENTS.

The annual adjustments that made actuarial department are limited to mortality which will affect the amount of contributions and morbidity which affects the increase in service levels. Based on Wondabio (2022), the determinants of risk adjustment related to the insurance risk at Program Asuransi Sosial, are; (1) uncertainty due to lack of experience, (2) low frequency but high severity, (3) knowledge about current estimate and trend, (4) duration of contract, (5) width of probability distribution.

6. CONTRACTUAL SERVICE MARGIN (CSM)

CSM is recognized systematically according to the period of protection service provided by the insurance company to the insured. The calculation of CSM will depend on how entity performs contract aggregation and also contract boundaries. The difficulties faced by Program Asuransi Sosial in obtaining the validity of the CSM calculation results from contract aggregation are (1) database of membership, fees and service fees as well as operational costs which are managed separately. (2) For the contribution itself, especially PBI and ASN, it is not automatically attached to the participant. (3) The ability of the IT system to calculate and follow the development of CSM for each contract aggregation until it is completed when the cohorting process is carried out.

7. FULFILLMENT CASH FLOW

The cash inflow of Program Asuransi Sosial is obtained from the receipt of participant contributions which can be predicted in the future. while cash outflow consists of payment of claims and benefits as well as acquisition costs which are calculated based on the past historical cost because the amount is unpredictable and depends on the provisions of the minister of finance so that it will be a problem if it is calculated to be fair value.

8. ONEROUS CONTRACT

Recognized all loss at the same time at the beginning of the contract will affect the going concern of Program Asuransi Sosial.

Based on characteristics of the Program Asuransi Sosial, the measurement model that should be chosen to calculate CSM is the Building Block Model with the following consideration: (1) Insurance programs are mandatory with long-term plan,(2) Determination of the premiums amount is determined by the Government, (3) Fulfillment cash flow for insurance contract liability plays an important role for the sustainability of the program,and (4) Cost of health insurance plays an important role for the continuation and success of the program. The PPA Model can be used by Program Asuransi Sosial only if the difference between BBA and PAA calculations is not significant.

The implementation of PSAK No. 74 at Program Asuransi Sosial has not yet been determined whether to use a modified retrospective or fair value approach in calculating the contractual service margin since there is a continuation of participation

from the previous social insurance program which has been liquidated. Badan Pengelola Asuransi Sosial has not been able to determine when the membership year should be calculated.

5.2 RESULTS- LITERATURE REVIEW

5.2.1 THE STATEMENT OF FINANCIAL POSITION

Several accounts that have been change in statement of financial position at the Program Asuransi Sosial are insurance contract assets(liabilities) that are calculated with a GMM measurement model based on PSAK No.74. As described above, insurance contract assets (liabilities) are calculated using the sum of : (1) The present value of future cash flows is the estimated future cash flows of premiums, claims, benefits and acquisition costs (current estimates of future cash flows); (2) risk adjustment is an explicit adjustment to the company's compensation to bear insurance risk; (3) contractual service margin (CSM) profit which has not been recognized when Program Asuransi Sosial provides services according to the insurance contract based on the aggregation level. CSM revenue is recognized in accordance with the period of protection services from insurance services provided by Program Asuransi Sosial to its participants.

Audit Report 2020		PSAK No.74 (IFRS 17)
ASSETS		ASSETS
Cash and cash equivalents		Cash and cash equivalents
Contributions receivable	→	Insurance contract assets
Interest receivables		Interest receivables
Other accounts receivable		Other accounts receivable
Advances		Advances
Investments		Investments
TOTAL ASSETS		TOTAL ASSETS
LIABILITIES AND NET ASSETS		LIABILITIES AND NET ASSETS
LIABILITIES		LIABILITIES
Health security payable	→	Insurance contract liabilities
Unearned income	→	Insurance contract liabilities
Accumulated contribution of unidentifed participants	→	Insurance contract liabilities
COB payable		Utang COB
Taxes payable		Utang pajak
Technical reserves	→	Insurance contract liabilities
Other liabilities		Other liabilities
TOTAL LIABILITIES		TOTAL LIABILITIES
NET ASSETS (DEFICIT)		NET ASSETS (DEFICIT)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)		TOTAL LIABILITIES AND NET ASSETS (DEFICIT)

Figure 5.2 The Statement of Financial Position at Program Asuransi Sosial

Source: Audit report (2020)

5.2.2 THE STATEMENT OF FINANCIAL PERFORMANCE

The accounts that will undergo adjustments in the performance report of the Program Asuransi Sosial such as: (1) Insurance revenue recognised in a period to depict the transfer of promised services at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services (PSAK No 74, paragraph

83). Those revenue recognition at insurance companies is in line with revenue recognition in PSAK No. 72 (IFRS 15); (2) insurance service expenses consist of claim events, other insurance service expenses that have already occurred and others (PSAK 74, paragraph 83).

Audit Report 2020	PSAK No.74 (IFRS 17)
INCOME	
Contribution income	Insurance revenue
Cigarette excise taxes	Cigarette excise taxes
Interest income and profit sharing	Interest income and profit sharing
Realized gain (loss) on investments	Realized gain (loss) on investments
Kerugian investasi	Kerugian investasi
Other income	Other income
Total Income	Total Income
EXPENSES	
Health security expenses	Insurance service expenses
Technical reserves expense	Insurance service expenses
Operational expenses	Operational expenses
Provision for impairment of contributions and fine receivables	Insurance service expenses and CSM
Other expenses	Other expenses
TOTAL EXPENSES	TOTAL EXPENSES
SURPLUS (DEFICIT)	SURPLUS (DEFICIT)
TOTAL COMPREHENSIVE INCOME	TOTAL COMPREHENSIVE INCOME

Figure 5.3. Financial Performance of Program Asuransi Sosial

Source: Audit report (2020)

6. CONCLUSION AND RECOMMENDATION

Based on the results of the analysis, the author provides the following recommendations to the entity is:

1. Social insurance has a different purpose of establishment and implementation of its operational activities from insurance companies in general. The main problem faced by Program Asuransi Sosial regarding to the implementation of PSAK No. 74 is the determination of assumptions and the accuracy of the measurement model to be used.
2. There are no changes in financial statements of Program Asuransi Sosial except modification in several accounts related to the implementation of PSAK No. 74, such as: CSM, and separation insurance income and expenses from investments and others. The form of presentation of the financial statements of Program Asuransi Sosial will still be presented based on ISAK 35 "Presentation of Financial Statements for Non-Profit-Oriented Entities".

This research was conducted at a time when IFRS 17 had not been implemented internationally. While the object of research, Social Insurance Program X, has not yet finished making a position paper that will be used in making a GAP Analysis which is part of the early stages of the preparation process for the application of PSAK No. 74.

Research activities are carried out in a limited period of time using financial and non-financial data during the period January 2021 to early July 2022. The method used in the research is qualitative which is only done through interviews, observation and literature review.

The impact of CSM calculations generated by the actuarial of Badan Pengelola Asuransi Sosial on its financial statements has not been disclosed in this study. The changes in business processes that occur from the application of PSAK No. 74 to the internal control environment of Program Asuransi Sosial have also not been discussed further in this study. After the implementation of IFRS 17, further research can provide the best input on the assumptions and methodologies that will be used by Program Asuransi Sosial to be applied when PSAK No. 74 becomes effective..

ACKNOWLEDGEMENT

We would like to acknowledge the cooperation of the participants in this study and express thanks to the Master of Accounting Program at the University of Indonesia, which has guided the author so that the process of this scientific work is published.

REFERENCES

- Al-Mashhadani, B. N. A. (2020). Challenges of applying IFRS 17 “Insurance Contracts” In the Iraqi environment. *Tikrit Journal of Administration and Economics Sciences*, 16 (49 part 1), 77-96.
- Creswell, J.W. and Poth, C.N. (2018). *Qualitative Inquiry and Research Design Choosing among Five Approaches*. 4th Edition, SAGE Publications, Inc., Thousand Oaks
- Dahiyat, A., Owais, W. (2021). The expected impact of applying IFRS (17) insurance contracts on the quality of financial reports. https://www.researchgate.net/publication/348378523_The_expected_impact_of_applying_IFRS_17_insurance_contracts_on_the_quality_of_financial_reports.
- Dewan Standar Akuntansi Keuangan. (2021), PSAK No. 74 (amandemen 2021): Kontrak Asuransi. Jakarta: IAI.
- EY. (2021). *Applying IFRS 17 A closer look at the new Insurance Contracts Standard*.
- IFRS Foundation. (2017). *IFRS 17 Insurance Contracts*.IASB.

International Public Sector Accounting Standards Board. (2019), IPSAS No.42: Social Benefits. New York: IFAC.

KPMG. (2020). Illustrative disclosures for insurers - Guide to annual financial statements IFRS 17 and IFRS 9

KPMG. (2020). IFRS 17, Insurance contracts, First Impressions.

L, Chan., J, Peng., C, Tsai., (2020). The Impact of IFRS 9 and IFRS 17 on the Regulation and Management of the Taiwan Life Insurance Industry: A Preliminary Analysis. NTU Management Review Vol. 31 No. 2 Aug. 2021.

Moleong, Lexy J. (2017). Metodologi Penelitian Kualitatif. Bandung: Remaja Rosdakarya.

Nawawi, H. (2003). Metode Penelitian Bidang Sosial, Yogyakarta: UGM Press

PWC. (2020). IFRS 17, Insurance Contracts: An illustration, <https://www.pwc.com/gx/en/audit-services/ifrs/publications/ifrs-17/ifrs-17-illustration-feb-26.pdf>.

Raco, J.R. (2018). Metode Penelitian Kualitatif Jenis Karakteristik dan Keunggulannya. Jakarta: Grasindo.

Sugiyono. (2017). Metode Penelitian Pendidikan Pendekatan Kuantitatif, Kualitatif dan R&D. Bandung: Alfabeta

Undang - Undang No.40 Tahun 2004 tentang Sistem Jaminan Sosial.

Undang - Undang No.40 Tahun 2014 tentang Peransuransian.

Undang - Undang No.24 Tahun 2011 tentang Badan Penyelenggara Jaminan Sosial.

Wondabio, Ludovicus S. (2021, November 8). Understanding Insurance Contracts - GAP Analysis. Presentasi pada Asosiasi Asuransi Umum Indonesia (AAUI), Jakarta.