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Contextualizing the Insurance Industry Vigilance in Adopting PSAK 74 Through the Cosmology of "Yoga Kshema"

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Abstract

This research aims to answer two main questions about the impacts of implementing PSAK 74 on the insurance industry in Indonesia, and the readiness of the industry to implement the latest insurance accounting standard. This study employed the qualitative research inquiry using the video method. The data in this study were sourced majorly from the results of an online observation in PSAK 74 webinars followed by documentation of relevant literature to synthesize knowledge on the implementation of PSAK 74 in Indonesia. Several interviews were conducted with academics and insurance practitioners to validate the knowledge. The collected data were analyzed by utilizing video-based analysis. This study concludes that the insurance sector in Indonesia has experienced a major obstacle related to the competence of accountants during the preparation of the PSAK 74 implementation. In addition, a significant overhaul of the company's accounting information system is necessary to meet all the PSAK 74 requirements. This research contributes to providing insightful knowledge for the Indonesian insurance industry regarding crucial changes in the company's financial reporting system as a result of the PSAK 74 implementation.

***Keywords:** PSAK 74, IFRS 17, Yoga Kshema, Video Method, Insurance Accounting.*

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INTRODUCTION

The purposes of this study are to answer two main problems: (1) the ramification of insurer's financial statements due to the implementation of Indonesian Financial Reporting Standards (PSAK) number 74 in Indonesia; and (2) the inclination of the insurance industry for the application of PSAK 74 as viewed through the *Yoga Kshema* principles. Indonesian Financial Reporting Standards number 74 on Insurance Contract, known as PSAK 74, is a new standard set by the Indonesian Financial Accounting Standards Board (DSAK IAI) which is going to come

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into force on January 1, 2025 (IAI, 2020). PSAK 74 is full adoption of International Financial Reporting Standards (IFRS) 17 issued by the International Accounting Standards Board (IASB) which will be effective as of January 1, 2023 (IASB, 2020a). We can say that PSAK 74 is merely a translated version of IFRS 17 in the Indonesian language and hence there are several reasons why research in the area of IFRS 17 is needed to answer the first objective mentioned before.

First, in terms of the urgency of insurance companies, research on the application of accounting standards for insurance companies must be carried out because insurance company financial reporting has a pivotal function for the insurance industry in Indonesia to escalate firm governance (Alnodel, 2018; Firmansyah & Octa Cesara, 2020). Second, in addition, research related to the implementation of accounting standards has also played an important role to facilitate interested parties, such as insurance companies, in operating the PSAK 74 framework (Morasa & Horman, 2016; Rahman, 2017). Third, the research explicating the outlook on industry financial reporting if PSAK 74 is being implemented is still scant. On the other hand, the basic philosophy of insurance practice in Indonesia follows the principles of ancient Hindu teaching derived from the Rig-Veda book that proposes the security assurance of individual welfare (Gopalakrishna, 2010; OJK, 2016; Sihag, 2009). The teaching is named from the Sanskrit term: "Yoga kshema", which means "well-being." This paper employs the principles of Yoga Kshema as the analytical tool to conduct a self-reflection on how far the Indonesia insurance industry readiness to face the implementation of PSAK 74 and to explore the tacit knowledge related to the underlying logic that forms the insurance sector praxis in Indonesia.

The insurance industry plays a critical role in the economy of emerging nations such as Indonesia because insurance policies assist enterprises in managing business risks through risk transfer processes, (Alnajjar & Rashwan, 2019). The insurance business may grow quickly when attractive economic conditions, the positive development of the financial sector, and significant reform of state-owned companies are encouraged (Horera & Maganya, 2020; Malik, 2011). Data show that economic growth in Indonesia contracted by 2.03 percent c-on-c and 3.49 percent y-on-y in the third quarter of 2020 (BPS, 2020), meanwhile, total insurance premium income received by the industry was 362 trillion Rupiah (OJK, 2020). This statistic increased by 5.69 percent as compared to the third quarter of the prior year, 2019 (OJK, 2020). Gross Claims in the third quarter of 2020 totaled 255.96 trillion Rupiah. When compared to the third quarter of the previous year, 2019, this number suffered a 2.28 percent decline in growth (OJK, 2020). The third-quarter claims ratio in 2020 was 70.71 percent, which was higher than the 76.47 percent recorded in the third quarter of 2019 (OJK, 2020). Indonesia's economic growth, which fell by 2.03% in the third quarter of 2020, has an undeniable influence on the insurance business (Rahim, 2013). A decline in premium income and a fall in assets also contributed to the insurance industry's deterioration (Avisena, 2020).

According to Figure 1, an increase in premiums will still be followed by an increase in claims. However, as shown in Figure 2, there was a decrease in premium income for life insurance, general insurance, and obligatory insurance in the third quarter of 2020 compared to the third quarter of 2019 but claim payments at reinsurance firms tended to rise dramatically. This may be because of the Covid-19 pandemic that happened in 2020 (Avisena, 2020).

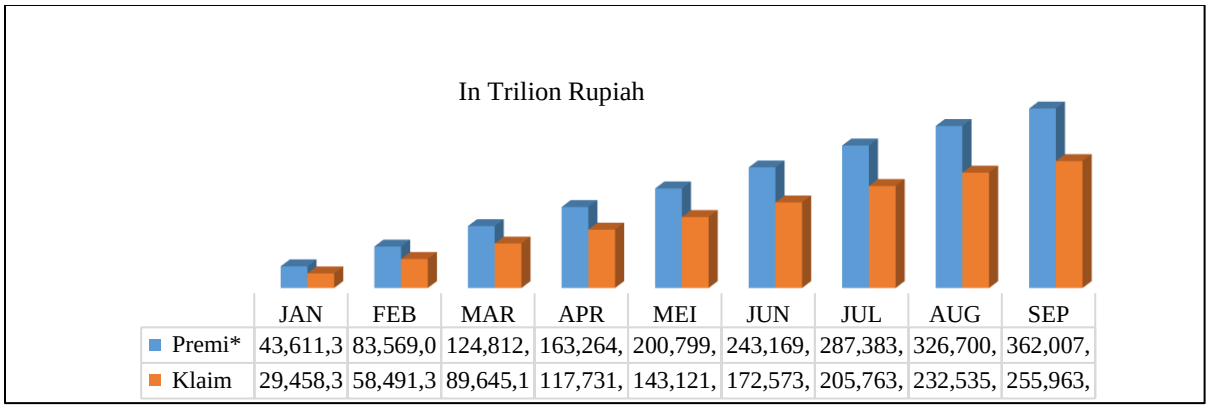


Figure 1. Trends in Premiums and Claims for the Third Quarter of 2020
Source: Data Processed from OJK (2020)

The global Covid-19 epidemic has also had a significant influence on the economy and people's well-being, one of which is the growing importance of health insurance (Adiyanta, 2020; Nasution et al., 2020). As a result, demand for insurance in numerous product areas, such as health insurance and life insurance, rises as individuals seek to protect themselves against the epidemic (Babuna et al., 2020). According to insurance economic theory, the amount of insurance demand is impacted by myriad factors, especially economic growth (Pratama, 2020a). The country's economic growth also influences insurance policy demand (Haiss & Sümegi, 2008; Lee et al, 2018) because insurance operations are essentially a risk transfer mechanism for all assets, including goods/services and people, as a method of fueling the economy (Chang et al., 2013).

The decline in investment performance in the insurance industry has caused the life insurance sector, which is dominated by superior products wrapped in investment, such as unit-linked and endowments, to experience performance problems (Luca, 2018; OJK, 2020). Not only that but the insurance industry was also affected by the problem of defaults related to PT Asuransi Jiwasraya (Persero) and Asuransi Jiwa Bersama (AJB) Bumiputera 1912 which had an impact on the public confidence weakening in the Indonesian insurance sector (Sayekti, 2020; Setiawan, 2020).

There are three variables to boost public trust in the insurance sector and help the insurance business enhance its performance. The first component is openness. The insurance business must prioritize sales quality in a timely and transparent way (Poufinas & Zygiotis, 2017). This component is seen as critical since it serves as the point of entry for clients to purchase insurance, both for protection and to complement investment advances. The second determinant is effective asset management. In this situation, the focus is on the significance of determining the appropriate insurance underwriting and investment management in line with good corporate governance (GCG) standards (Suwandi et al., 2019). The third element is the

simplicity with which claims may be paid using technology (Safitri, 2020). OJK compels all insurance companies to streamline claim payment procedures, particularly in the aftermath of the Covid-19 outbreak (Pratama, 2020b).

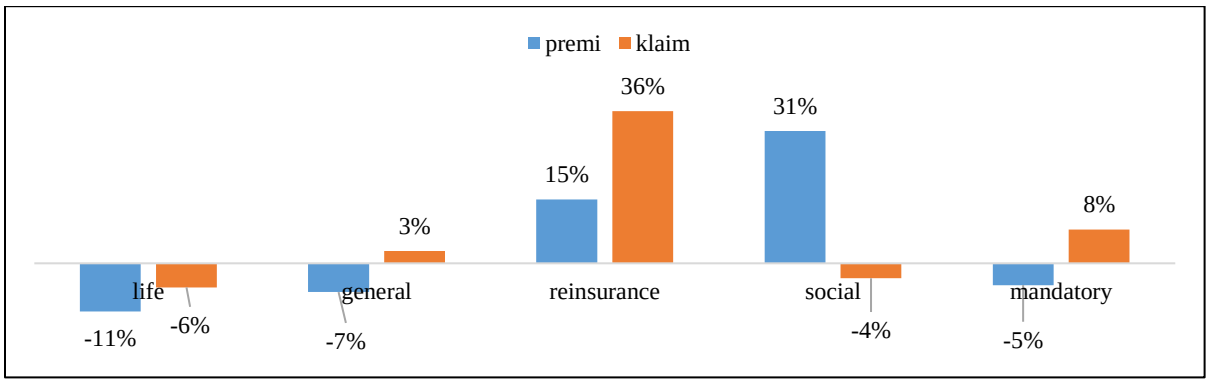


Figure 1. **Premiums and Claims Growth for the Third Quarter Y-o-Y**
Source: Data Processed from OJK (2020)

These three requirements will be automatically met as a result of the implementation of PSAK 74 in early 2025. The standard implementation necessitates speedier technological adoption, more effective administration of premium money, and higher transparency of the insurance cost measurement technique (KPMG, 2020). However, the application of PSAK 74 cannot be isolated from two classical problems that will always plague the Indonesian insurance business, namely the scarcity of multi-perspective interpretations on PSAK 74 impacts and the scantiness of actuarial guidance to measure the service margin (Akbar, 2020; PWC, 2020). In terms of applying international standards for public business financial reporting, Indonesia lags behind other countries in the Southeast Asia region. This study will play a significant role in delivering a ray of hope by conveying the opinions of insurance professionals in finding a solution to the basic challenges of the PSAK 74 enactment.

In Indonesia, insurance is primarily used to transfer risk and protect policyholder wealth, which is in line with the ancient Indian principles of insurance known as “yoga kshema” (OJK, 2016). Sihag (2005) explains that “yoga” is a Sanskrit term that defines "gathering together" or "unity." The term is connected to the English word "yoke" referring to any method of linking an individual to the reality of life. Thus, “yoga kshema” means everyone's well-being (Joshi, 2018; Sihag, 2009a). The term yoga kshema is firstly mentioned in the sacred book of Rig-Veda in the 15th century BC and the book of Kautilya Arthasastra in the 4th century BC (Gopalakrishna, 2010; Sihag, 2004). The underlying story behind the term is related to communal insurance practiced by the Aryan tribe or the Babylonians to secure their harvests and ships (Sihag, 2021; Sihag, 2007). The “yoga kshema” is the main objective of the insurance plan practiced by the ancient Indian to protect items from all conceivable threats so that each party may maintain its well-being (Gopalakrishna, 2010; Sihag, 2009a). In return, the party who is acquiring the protection will charge a fee to the party who is offering the security (Sihag, 2004, 2005).

Referring to the Rig-Veda and the book of Arthasastra, the principles of yoga kshema, in general, consists of three tenets: the union welfare, the effort to tackle the obstacle that may hinder the goal, the dynamic interplay between related parties (Gopalakrishna, 2010; Jawad, 2021; Joshi, 2018; Sihag, 2009a).

Aligning with the yoga kshema, insurance practice in Indonesia follows the main principle of indemnity as stated in the book of commercial law (KUHD), verse 246, stating that the insurer's payout must be proportionate to the policyholder's real loss (Harahap, 2021; ss. Indemnity aims to preserve the policyholder's insured assets as applied by PT Asuransi Tokio Marine Indonesia on its general fire insurance contract. Zulkifli et al., (2022) reveal the implementation of the indemnity concept by Asuransi Tokio that if a building constructed in 2000 burns down, the insurance company will not reimburse the damage with a new structure constructed in 2021. Asuransi Tokio will follow the practice of calculating compensation based on the value of a new building in 2021 minus depreciation depending on the age of the burnt structure (Zulkifli et al., 2022). By following this scheme, the policyholder's wealth will be preserved and hence the yoga kshema principles are fulfilled. In the end, the yoga kshema principles are ingrained in and inextricably linked to the insurance practice in Indonesia (OJK, 2016). However, if PSAK 74 is fully applied at beginning of 2025, will the insurance industry be ready for the major change so that the yoga kshema principles remain embedded in the praxis? This study is purported to answer the question by decomposing the yoga kshema principles into methodological steps to unveil the industry's readiness in dealing with the adoption of the new standard.

Various studies on the topic of insurance accounting standards have been carried out by several researchers, namely Bas & Yanik (2017), Dufrasne (2020), Mitrašević & Lalić (2019), Muskitta & Safitri (2019), dan Rajala (2020). Bas and Yanik (2017) examine the new insurance accounting standards implementation from the perspective of the insurance industry. The study found that the new standards require insurance companies to create a single and consistent measurement model which meets additional requirements. The purpose of those requirements is to increase the transparency of all insurance contracts made by insurance companies (Bas and Yanik, 2017). Our study is different from Bas and Yanik's (2017) research because our study will not only view the impact of the application of PSAK 74 as the upcoming insurance accounting standards in Indonesia but also discuss the outlook of insurance industry financial statements after the application of the new insurance standard. The industry needs to understand how far the new standard will affect every major account on the insurance financial reports so that this study will provide a valuable insight to guide the industry in preparing its financial statements in Indonesia.

Dufrasne's (2020) subsequent research investigates the discrepancies in the implementation of the old insurance accounting standards vs the new ones. His study concluded that the implementation of the new standards requires a more refined version of the old's appliance. the new insurance model is determined to bring more comparability to insurance firm

financial statements. Furthermore, the new standard necessitates reflecting contracts recorded consistently in the statements. Unlike the old standards, judgment is an important part of the new insurance contract valuation which is arguably unobjective. Presentation and disclosure of the statements will be undoubtedly imperative so that the understanding of the requirements of the new standards can be properly digested by stakeholders (Dufrasne's 2020). However, Dufrasne's research (2020) only conversed about the comparisons between the new vs the old but paid less attention to insurance companies as objects. Our study diverges from Dufrasne's (2020) in that ours will not only evaluate the expected impact of the adoption of the new standards (PSAK 74) on the insurance industry in Indonesia, but ours will also compare the application of the new standard to the previous standard, namely PSAK 62.

Furthermore, Mitrašević and Lalić's (2019) study scrutinizes the obstacles to implementing the new insurance accounting standards in the insurance sector in a developed European country. According to their study, the changes influencing the adoption of the new standards will heavily depend on the type and nature of the insurance contract provided by the insurance business. The discrepancy between the new policy and the present accounting policy will also have an impact on the extent of the implementation of the new standards. Because the new one entails periodic updates of any relevant information used in calculating the cost of insurance, its adoption is projected to have a substantial impact on long-term insurance contracts (Mitrašević & Lalić, 2019). Meanwhile, for short-term insurance contracts, the most difficult task will be determining unpaid obligations owing to the requirement for applying explicit risk discounts and premiums (Mitrašević & Lalić, 2019). However, our scrutiny will differ from Mitrašević and Lalić (2019) in terms of the context of the discussion which will focus on the challenges of implementing the new standards in a country with a bigger population and vulnerable to health issues, such as Indonesia. Furthermore, our research will shed a light on the financial statement projections of one of Indonesia's leading insurance businesses as a result of the introduction of the new insurance accounting standards.

The following study is Rajala's (2020), which discusses the implications of the new standards of insurance accounting. His research found that the new standards will improve the openness and comparability of insurance businesses' financial statements if one condition is met: the new standards must be fully implemented three years after their initial adoption. Due to the complexity and constraints connected with the new standard, insurance businesses' financial statements are unlikely to improve in comparability and transparency in the first or second year (Rajala, 2020). “The new standards of insurance accounting will be expected to be more profitable for insurance companies if they actively seek to improve their internal systems by fully implementing the standard, rather than just trying to meet the minimum requirements”, said Rajala, (2020). However, our research varies from Rajala's (2020) study which solely focused on the objectives of comparability and transparency of insurance firm financial statements. Our research will further observe the impact of IFRS 17 (PSAK 74) on the z reporting of the insurance business in Indonesia, as well as the changes in the financial statements as a result of the new standard's adoption.

The research on insurance accounting topics in Indonesia has been scarcely conducted by Indonesian scholars. One of those scarcities is research conducted by Muskitta & Safitri, (2019) who provided us with an analysis of parameters of the industry readiness for implementing the new standards in the insurance sector in Indonesia. The researchers concluded that the parameters for assessing the readiness of the Indonesia insurance industry to implement the new standards of insurance accounting can be performed in five ways: conducting a pre-impact analysis, attaining a gap analysis between insurance enterprises by observing the progress of the implementation of the new standard, identifying various deficiencies that may be traced during the preparation period, designing strategies to cover the deficiencies, and executing the implementation process (Muskitta & Safitri, 2019). In general, Muskitta & Safitri, (2019) study has brought to light the preparedness analysis for insurance businesses to apply the new standards. However, our research bears no resemblance to their study (Muskitta & Safitri, 2019) because our research will highlight a unique viewpoint regarding the impacts that may be emerged through PSAK 74 implementation on the Indonesian insurance industry.

The studies exploring the yoga kshema concepts and their implementation are limited. Sihag is the leading researcher that puts a lot of effort to inform the basic application of the concepts in multi-disciplines like accounting (2004), economics (2005, 2009b), and public finance (2009a, 2009c). Sihag mostly used the historiography method to abstract the tacit knowledge of yoga-kshema from the book of Kautilya Arthasastra written by Chanakya, an Indian philosopher from the 4th century BC (2004, 2005, 2009a, 2009b, 2009c).

Sihag's study on Kautilya's accounting revealed that Kautilya, also known as Chanakya, gave accounting a very broad scope and regarded explanation and prediction to be its legitimate goals (Sihag, 2004). Chanakya recommended the creation of two significant but distinct offices, namely the Treasurer and the Auditor, to promote accountability and limit the opportunity for conflicts of interest, and hence the people's welfare -yoga kshema state- can be attained (Sihag, 2004). Our research is different from Sihag, (2004)because we use his work on defining the yoga kshema objective as analytical tools to assess the readiness of the Indonesian insurance industry on implementing PSAK 74.

The other papers (Sihag, 2005, 2009b) explained that the Arthashastra's goals in economics were yoga kshema and raksana of the subjects, which meant that ethical qualities, according to Chanakya, led the path to the paradise as well as the wealth on earth, and thus have both intrinsic and instrumental significance. Sihag's (2005, 2009b) papers only emphasize the accentuation of Chanakya's thought on ethical economics and haven't elaborated on the application of yoga kshema principles in the field of economics. Our paper differs from Sihag's by taking the topics which Sihag hasn't discussed yet. We focus our analysis on the implementation of yoga kshema concepts in the accounting field.

Chanakya's teachings also covered the public finance discipline. Sihag (2009a, 2009c) abstracted the public finance insights from Chanakya's work, the Arthasastra. According to Chanakya, market failure was awful, government failure was even worse, but moral failure

would be the worst of all. Moral failure and bad organizational design were frequently the core causes of both market and government failures. Chanakya suggested an ethics strenuous awareness campaign aimed at developing good ethics to acquire the goal of yoga kshema: preventing both market and government failures to preserve people's welfare. Sihag's (2009a, 2009c). Sihag works on Kaultiya's public finance only stressed the prevention of market and government failures to reach yoga kshema ultimate target: the well-being of people. Our paper not only uses the major purpose of the yoga kshema to evaluate research phenomena but also decomposes the principles of yoga kshema into three structures to be applied in analyzing the industry readiness on implementing PSAK 74.

Based on research gaps, practical phenomena, and classic problems that occur, it is possible to conclude that this research will play a significant role in filling the gaps left by previous studies that were unable to answer practical problems related to the impact of PSAK 74 application on Indonesian insurance accounting field and the industry's readiness to adopt PSAK 74 using the principles of yoga kshema. To fulfill two research objectives, (1) the accounting impact and (2) the industry readiness, our research implemented the videography method to synthesize knowledge from PSAK 74 webinars held by the Indonesian Institute of Accounting (IAI) and the ministry of finance of Indonesia (MOF). The video method is a method of collecting data from observation using video recordings from online webinars, youtube, or online meetings (Torrentira, 2020) and then the data collected is analyzed using a qualitative analytical framework like thematic, content, or ethnography analysis (Luff & Heath, 2012; Torrau 2020).

Studies employing the video method have been conducted since the early 1920s but visual ethnography scholars in the early 2000s have revived the method by publishing the book specializing in the audio-visual method (Harris, 2016; Knoblauch et al., 2012). Since then, social science researchers have been attracted to the use of the particular method in their publications. Basil, (2011) research explained how video records can be used in examining people's behaviors and delineating interpretive insights in the marketing field in Canada. From Malaysia, Tiong and Sim (2020) utilized the online webinar footage from Youtube as the main data collection technique to refine information from the banking industry and public perception of digital banking services in Malaysia. They assessed the patterns in the qualitative data using the theory of acceptance model to build a framework for evaluating online banking services in Malaysia. Kozinets, (2010) argues that "when researcher went online, he or she may engage with online discussions enabling different perspectives to understand the phenomena." Therefore analyzing online footage can be much rewarding for researchers in terms of gaining free access to the relevant data for their study (Skågeby, 2011). For a similar reason, Hew and Hara, (2007) conducted a video-based study using online observation to collect data regarding the insights shared by experts. Their research focused on comparing the hurdles to knowledge sharing in three different online contexts related to professional practices.

We employed the video method due to the limited access to implement face-to-face interviews or offline observation during the Covid-19 pandemic period. At the same time, two PSAK 74 related institutions: IAI and MOF were promoting the PSAK 74 framework to the main stakeholders: the insurance industry via multiple webinars in 2021. Trying not to miss the

opportunities, we gained valuable data and knowledge by lurking in those webinars to answer our research objectives. The collected data was then evaluated using thematic analysis and a modified yoga kshema framework. The thematic analysis was utilized to answer the first research purpose while for the second aim, we extended the thematic analysis by developing the industry readiness framework from the Yoga Kshema principles which were abstracted from the holy book of Rig-Veda and Kautilya's Arthasastra.

RESEARCH METHOD

Research Design: Interpretive Paradigm, Qualitative Inquiry, and Video-Based Strategy

This study employed an interpretative paradigm because our worldview towards the absolute truth was that the truth of the research will only be achieved if the researchers were able to comprehend the persons who were directly involved with the phenomena under investigation (Kamayanti, 2016; Qadri dan Firmansyah, 2020). The ontology of this study was that researchers will examine the impact of the implementation of accounting for insurance contracts in Indonesia from the multi-perspectives of individuals involved in the insurance industry for revealing the extent to which the process of accounting change is explained from the praxis viewpoint (Wasantrari & Qadri, 2021). Our study's epistemology was to investigate in-depth knowledge of the players impacted by the PSAK 74 policy, both directly and indirectly, and to apply the conceptual framing findings from secondary data related to the implementation of PSAK 74 in the Indonesian insurance industry. To complete our paradigm basis, the research's axiology to achieve was that the findings of this research were expected to aid the insurance industry in rectifying the difficulties that emerge in the insurance sector, particularly those linked to insurance contracts accounting based on PSAK 74.

According to Creswell (2014), the research inquiry is tailored to the features of the phenomena, the nature of the research, and the type of research questions. In terms of the applicability of the phenomenon's features and the nature of the research, the approach utilized in this study was the qualitative research inquiry. By filtering, interpreting, modifying, and even rejecting knowledge that previously existed in the system, qualitative research created meaning and information impacting the cognitive system (Lythcott & Duschl, 1990).

To implement our research epistemology and inquiry, we employed the video-based method as the research strategy. Harris defines the video method as "a process that not only studies visual aspects of the phenomena being scrutinized but also attempts to include visual elicitations into its analysis and dissemination processes" (2016). Drawn on her definition, the video-based technique entails performing an online interview with specific informants or an online observation of a specific object, then analyzing the data collection results using suitable analytical frameworks for qualitative research (Knoblauch et al., 2012). The video method was chosen because it allows for boundless versatility in the use of video as a visual manner,

blending the distinctions between video as a resource and a theoretical foundation of analysis. The video becomes the narrative, and vice versa, the video's effect is not limited to providing another instrument for data collection, but rather to changing how data is viewed (Harris, 2016).

Data Collection Method: Online Webinar Observation as the Main Research Tools

The sensitivity of the researchers in witnessing an event in the study had a major influence on the success of the data collection process (Creswell, 2014; Kamayanti, 2016). The consequence of using video as the research strategy is that video records must be the prime way of gathering the data related to the event under scrutiny (Harris, 2016; Torrau, 2020). Thus, we followed the video collection techniques proposed by Snelson et al. (2021) as well as Tiong and Sim (2020) as our data gathering tools by wielding the online observations while participating in the PSAK 74 webinars held by IAI, MOF, and Universitas Padjadjaran. However, we didn't think of video as a tool for generating data only; instead, we saw it as a full-fledged social construct of reality. This means that we perceived the webinar data as what Knoublach et al. (2012) said: "the audio-visual data in a video-based research is still in the naturalistic first-order construct even if researchers manage to capture it on video for scientific purposes."

As a result, we attended several online webinars, including the "Sharing Session on PSAK 74" webinar held by IAI on May 27, 2021, with Mr. LSW as the main presenter, webinar "PSAK 74: Insurance Contracts in Actuarial Measurement" held by the Center for Professional Development of Finance, MOF on June 25, 2021, with Mr. LSW as the key resource person, and webinar "Accounting for the Insurance Industry" held by Universitas Padjadjaran Bandung on November 26, 2021, with Mr. EH as the first speaker and Mrs. ETW as the second speaker. We presented the reasons why the webinar informants are required to be included in our research in Table 1.

Table 1. Webinar Informants

Name	Position	The reasoning for Data Inclusion
EH	Practitioner	Finance Director of PT Asuransi Tugu Pratama Indonesia, Tbk, who starts the PSAK 74 implementation process.
LSW	Consultant	Certified Public Accountant who serves as a consultant to the insurance business in the application of PSAK 74.
ETW	Standards Setter	Member of the Financial Accounting Standards Board of the Indonesian Institute of Accountants who formulated PSAK 74

There were 3 relevant video files in our video data set, ranging in length from 150 minutes to 210 minutes. In total, the video duration was 9 hours, 33 minutes, and 15 seconds of footage. We gathered video recordings of those seminars by IAI, the Ministry of Finance, and Universitas Padjadjaran; and stored them in the first author Google Drive. Data portraits gained from the video observations can be used to supplement data obtained from other sources (Knoblauch et al., 2012). Another advantage is that the data may aid researchers in offering hints that lead to a conclusion (Basil, 2011; Luff & Heath, 2012). To gain a better understanding of the context of

PSAK 74, to scrutinize the impact of the most recent insurance contract accounting policies on the recognition of income, expenses, assets, and liabilities in the insurance industry.

Skågeby (2011) suggests that researchers need to collect several relevant pieces of literature to supplement the interpretation of the video data. Therefore we documented relevant works of literature linked to the issue of our research: PSAK 74. The documents which were successfully gathered were yearly financial reports published by insurance firms, and previous studies discussing IFRS 17 or PSAK 74.

Table 2. Research Informants and Interview Questions

Name	Position	The reasoning for Informant's Selection
IDS	Practitioner	Finance Manager of PT Asuransi Jasa Indonesia (Persero) who participates in PSAK 74 implementation
MLM	Academician	Accounting lecturer who masters PSAK 74 and Financial Statements topics.

No	Questions
1	How well do you comprehend PSAK 74?
2	What are your thoughts on the new PSAK 74 standard?
3	What are your opinions on the impact of PSAK 74 on financial statements?
4	How does PSAK 74 alter the transparency and comparability of the company's financial statements?
5	What type of preparations has your firm made for the shift to PSAK 74?
6	What are the difficulties in preparing for the use of PSAK 74?
7	What are the immediate and long-term effects and benefits of PSAK 74 on the company's financial statements?
8	What are your views on the benefits of adopting PSAK 74 in comparison to the cost of preparation?

In this study, we followed Harris's (2016) suggestion to still conduct online interviews in applying the video-based research to contextualize the observational data. We then engaged with two key informants: a practitioner, Mrs. IDS on May 8, 2021, and May 9, 2021, and an accounting academician: Mr. MLM on March 27, 2021. The interviews were performed via virtual Zoom meeting and communication over Whatsapp messaging. The second author recorded the meetings and transcribed them using According to Seidman (2006), the fundamental objective of the interview is to process information gained from the informant's experience rather than to obtain answers to questions. The researchers retrieved PSAK 74 comprehension from the perspectives of accountants and insurance company workers. The researchers provided the profile and rationale for choosing key informants in table 2 to their willingness to participate in our study. The information that researchers hope to gather from each of these sources is pertinent to the impact of PSAK 74 implementation on the financial

statements of insurance firms. To reach this purpose, the researchers posed many questions to accounting lecturers and finance managers at a state-owned insurance firm, as shown in table 2. All questions asked were documented in the interview protocols.

Data Analysis Method: Two Steps of Video-Based Analytical Tools

Knoblauch et al. (2012) and Harris (2016) reveal that there are myriad analytical tools that can be used in video-based research depending on the research purposes. This means that a video-based study offers a method's flexibility in examining the video record data (Harris, 2016; Torrentira, 2020); as researchers can even use both quantitative and qualitative analytical frameworks simultaneously (Tiong & Sim, 2020; Walker & Boyer, 2018). Two types of video analysis that we used in our video-based research: (1) hermeneutic or explanation building framework to scrutinize the impact of PSAK 74 on insurance industry financial reporting as presented in the result section; and (2) grounded theorization or analytical generalization framework to assess the industry readiness in applying the PSAK 74 using the Yoga Kshema principles as displayed in the discussion section.

Step 1 of The Video-Based Hermeneutic Analysis

The first analytical step was aimed to answer the first research objective (the impact) using the hermeneutic framework, which is commonly employed in video-based research analysis (Knoblauch et al., 2012), by describing something in-depth and engaging in constructive dialogues that were relevant to the research objectives (Qadri & Jauhari, 2020; Yin, 2018). We followed the technicality of Ricoeur hermeneutics. The goal of using hermeneutics was to provide researchers the chance to investigate a new idea (Farooq, 2018). In this step, the researchers attempted to link the data sources that have been gathered with the research questions that have been developed. This study sparked interest in insurance-related studies. The researchers addressed the conversation to financial reporting in the insurance business and connected it to the implications and problems of preparing for PSAK 74 implementation. Through yearly financial reports and interviews related to the preparation for PSAK 74 adoption, the researchers analyzed materials from the Jasindo Insurance firm's financial statement as an example of insurance accounting with earlier accounting standards, PSAK 62. We will utilize this hermeneutics method or explanation-building technique in presenting the result section.

Step 2 of The Modified Yoga Kshema Analysis

The second analytical step was purposed to answer the second research objective (the industry readiness) using the "grounded theorization". The researchers had to put in place a conceptual framework serving as the foundation for the interpretation of the study findings. We adopted the concept development procedure of Corbin and Straus (1990) and the analytical abstraction approach of Yin (2018) to build the theorization mechanism. The researchers did not utilize the full version of the grounded theory method of Corbin and Straus (1990) as only their theoretical building démarche did apply. In this step, researchers subsequently proceeded with the process of refining the findings to a theoretical framework by providing explanations in the form of

support or other means (Corbin & Strauss, 1990; Farooq, 2018; Qadri & Jauhari, 2020; Yin, 2018). To further apply the technique, researchers abstracted the implementation of PSAK 74 (adoption of IFRS 17), which will benefit investors and insurance businesses by ensuring the consistent recognition of all insurance contracts and overcoming the inadequacies of the application of PSAK 62 (adoption of IFRS 4) as an interim standard. Furthermore, the researchers employed the Yoga Kshema principles as the main data abstraction tool.

Insurance has been there for thousands of years, as evidenced by the ancient Hindu holy book, the Rig-Veda, written in Sanskrit, which describes the history that underlies the principles of "Yoga Kshema" (Gopalakrishna, 2010; Joshi, 2018; OJK, 2016). The principles are taken from the song of benevolence in the sacred text of Rig-Veda called “Hymn XXXIV. Indra” which is translated as follows. "He struck the Dasyus and gave the Aryan race protection. He seized ownership of the plants and days, as well as the forest trees and the mid-region of the air" (Rishis [15th Century BCE], 2020). The significance of the “hymn”, according to Gopalakrishna (2010), is about a narrative of some form of community insurance that was performed by the Aryan tribes or the Babylonians in India almost 3000 years ago, and that the Vedic Rishis, the holy prophets in Indian Hinduism who wrote the Rig-Veda, were aware of it.

The book of Kaultiya Arthasastra discusses how the community insurance applied the Yoga Kshema principle, as explained in Chapter XII on Protection of Parties for or against One’s Cause in One’s State that people chose the Vaivasvata and assigned one-sixth of the grains cultivated as communal dues. As a result of this payment, the Vaivasvata assumed the obligation of ensuring the security of their grains, yogakshemavaháh (Kautilya V.C. [4th Century BCE], 2020). Sihag (2005, 2009a) interprets the phrase "Yoga-Kshema" in the Rig-Veda and the Kautilya's Arthasastra to mean that humans regularly ponder the future and prepare for their lives and that the ultimate purpose of community insurance schemes was to ensure the well-being of the people.

The more complete story related to the origin of Yoga Kshema principles is described by Jawad (2021): about 2250 BC, the Aryan tribe, people from a country known as Babylonia, dwelt in the Euphrates and Tigris valleys. If the community or the shipowner of the Babylonians required finances to sail to the sea, the shipowner borrowed funds from a wealthy merchant, who become a creditor, and used the ship he owned as collateral for the loan. If the ship arrived at its destination safely, the shipowner will be freed from the debt (Jawad, 2021; OJK, 2016). From this story, we can infer that the risk is defined as an occurrence that can threaten the owner of the ship (Jawad, 2021; Sihag, 2007). In addition, an additional sum of money was paid. This money served as a recompense for the merchant's risks, and it is today synonymous with "premium money." Eventually, the party who paid the premium was described as a "respondent" (Gopalakrishna, 2010; Sihag, 2009a). Risks included the Babylonians’ cargo loss due to enemy attacks or weather, the security of remittances or crucial papers throughout the voyage, and others. In exchange, the party receiving protection will pay money to the party protecting in the form of a premium (OJK, 2016; Sihag, 2005). Based on the ancient practice of communal

insurance, the goal of the insurance scheme was practically to safeguard products from all potential hazards so that each party will preserve its welfare. The welfare state of each party is the main principle of Yoga Kshema (Gopalakrishna, 2010; Joshi, 2018; Sihag, 2005, 2009a).

From the story of the Aryan tribe in fulfilling the Yoga Kshema purpose, we can draw a framework that can be used as means for analyzing the readiness of the Indonesian insurance industry to adopt PSAK 74. First, the Yoga Kshema taught us to set the objective to achieve in the time ahead. Humans constantly think about the future and deliberate for their life. The future of this research is associated with the execution of PSAK 74 in 2025. Second, the future, as Yoga Kshema proposed, would be secured by pruning the possibility of calamity. The calamity, in the Rig-Veda, is defined as "risk", which is an event that may endanger the shipowner. For our research, we modified the risk terminology by adding two parameters, developed by Muskitta and Safitri (2019), to measure the industry readiness for implementing the PSAK 74, which are (1) undertaking the pre-impact analysis, and (2) scrutinizing the readiness gap by examining the insurer's progress on PSAK 74 deployment. Third, in Yoga Kshema, the shipowner who sailed the ocean to fulfill the goal of his voyage is labeled as the "respondent". In our research context, the respondent is the Indonesian insurance industry. In addition, Yoga Kshema unveiled that the protector to safeguard products from latent menace is named "Guardian," and it has become the notorious entity functioning as an insurance enterprise in today's terms. Howbeit, the guardian, in our research term, is the consultant assisting the insurance industry in adopting PSAK 74. Figure 3 portrays the cosmology of Yoga Kshema to aid researchers in interpreting the readiness of the Indonesian insurance sector for undergoing the PSAK 74 framework.

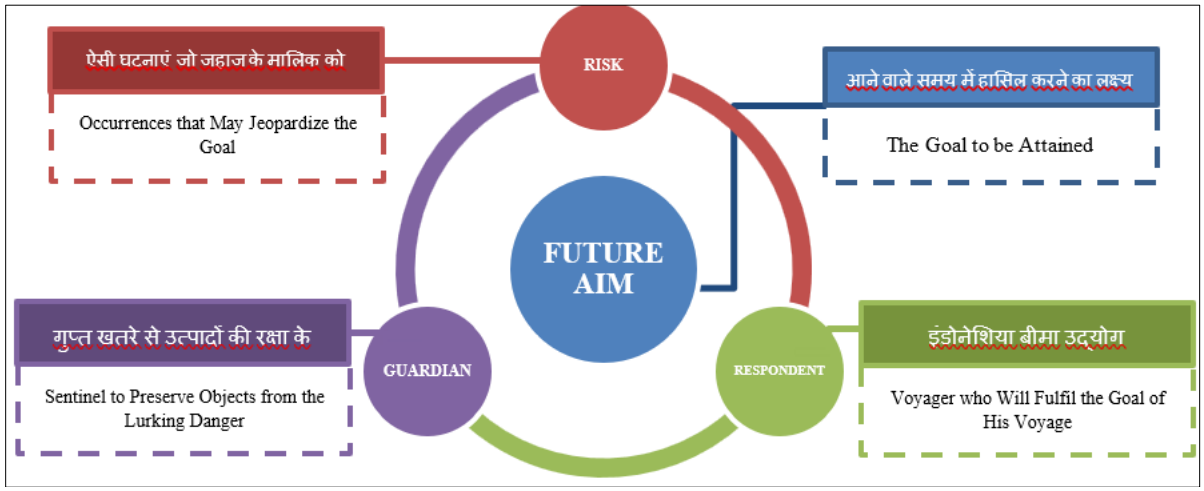


Figure 3. The Cosmology of *Yoga Kshema* Principles as Analytical Means
Source: Gopalakrishna (2010), Joshi (2018), and Muskitta and Safitri (2019)

RESULTS AND DISCUSSION

#FIRST AIM: ENTERING THE REALM OF PSAK 74 [IFRS 17]
Answering the first research question on PSAK 74 impacts is the main focus of the result section. Substantially, PSAK 74 has impacted the world of insurance accounting in Indonesia in 4 ways: the nature of accounting standards, which is now becoming one-single-solution standard; the recognition of insurance contracts; the measurement model for insurance accounting; and the presentation of insurance firm's financial statements. The followings are the elaboration of PSAK 74 repercussions, which is divided into four sub-sections.

PSAK 74: Single [and Complicated] Insurance Accounting Approach

> *"PSAK 74 is a comprehensive accounting standard, but it is also problematic since there aren't enough experts who comprehend it…As a corollary, later in 2025, insurance providers in Indonesia will not only implement PSAK 74 for the first time but also PSAK 71 for the first time,"* ETW stated on November 26, 2021 (Figure 4).

The fresh-from-the-oven PSAK 74 is the standard used by all Indonesian firms signing insurance contracts. This new standard will merge PSAK 28, PSAK 36, and PSAK 62 into a single accounting standard for insurance contracts (Muskitta & Safitri, 2019). This latest insurance contract accounting standard is packed with complexities that will be a stumbling barrier for the Indonesian insurance business (Alzobaidy & Al-Mashhadani, 2020; England et al., 2019). Despite the complexity, PSAK 74 is thought to be capable of making the insurance industry's financial statements more inclusive than previously (Mignolet, 2017; Palmborg et al., 2020). DSAK IAI performed research on the suitability for the application of PSAK 74 to associated industries, as well as an assessment of the impact of a draft's deployment on the Indonesian economy, not merely IFRS convergence (KPMG, 2020; Muskitta & Safitri, 2019). The implementation of PSAK 74 intends to make insurance firms' financial statements more relevant and comparable to most other industries, such as the banking business and other financial service companies.

> *"The information in the financial statements will be more accurate and truthful as a direct consequence of PSAK 74." For example, locked-in assumptions will be supplanted with current assumptions,"* as said by ETW – webinar transcript for November 26, 2021.

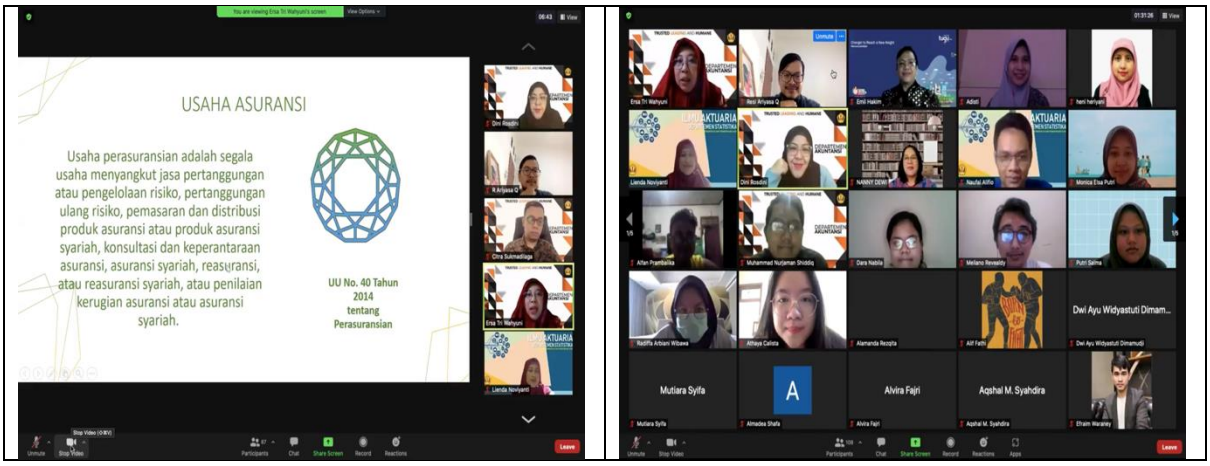


Figure 4. Unpad Webinar on PSAK 74
Source: Research Video Records (2021)

The presentation of insurance income exemplifies the complexity of PSAK 74's application, as PSAK 74 requires a distinct demarcation between income generated from the insurance business and income earned from investment activities, which previously mixed insurance business transactions with investment projects. "The problem now is that the insurance industry's accounting policies cannot be cherry-picked." As a result, the insurance service result must be split to ascertain how much is from the insurance business and how much is from the investment outcome," said LSW in a webinar on June 25, 2021. The insurance income segregation, on the other hand, makes the information collected on the financial statements of corporations with insurance contracts more honest and transparent, as outlined by EH in a webinar on November 26, 2021:

> *"As may be shown in detail later, the splitting of insurance revenue under PSAK 74 is somewhat convoluted." Nonetheless, the separation makes us, the insurance sector exponent, know how much the company's true profit is."*

PSAK 74 also yielded a significant breakthrough in the recording of insurance premiums (Mitrašević & Lalić, 2019). With the passage of PSAK 74, general insurance firms' premium sales can no longer be recorded as premium revenue (Dufrasne, 2020). The only insurance revenue that may be recognized is contractual service margin (CSM), which is a margin that can be defined as income actuarially (Bas & Yanik, 2017). This CSM computation is complicated and heavily based on actuarial calculations. As a mechanism of consumer protection, insurance firms that provide insurance products with investment features, such as unit-linked, must include a full explanation of CSM calculation in the notes to their financial statements (Dahiyat & Owais, 2021; Palmborg et al., 2020). As a result, regulators are accountable not just for developing accountants, but also for actuaries. "The function of regulators can aid in the stability of the insurance economy." Both with supervision tied to the industry, relaxation, and

community advocacy," said IDS - interview transcript May 8, 2021. Thus, PSAK 74 tackles three critical insurance accounting issues, namely recognition, measurement, and presentation of insurance contracts.

Recognition of Insurance Contract: Dampening the Field with "Aptness" and "Cohorts"

There are two critical points in the recognition phase of insurance contracts: (1) the eligibility of PSAK 74 on the contracts made by the insurance company whether the contracts are categorized as insurance contracts or not, and (2) the level of aggregation of the contracts identified as insurance contracts. PSAK 74 aptness is determined by distinguishing between contract components that are included in the insurance contract elements or a combination thereof and the components which are not included in the insurance contract category (England et al., 2019; PWC, 2017). Figure 5 explains a framework to discern if a contract issued by an insurance company is under the scope of PSAK 74, PSAK 71, or PSAK 72.

To understand the concept of PSAK 74 eligibility viewed in Figure 5, we will story-tell you in five steps. *First*, PSAK 74 applies to the entity's insurance contracts, and reinsurance contracts, including investment contracts with discretionary participation characteristics where the entity also issues insurance contracts (KPMG, 2020; Lapiņkaia, 2020). *Second*, if the contracts have significant insurance risk then go to *"the left section"* because the contracts are defined as insurance contracts. *Third*, the insurance contracts must be segregated between a contract with an insurance component which is under the scope of PSAK 74 vs a contract with a non-insurance component, such as an investment contract, which is under the scope of PSAK 71 or PSAK 72 (Pratama, 2020c; PWC, 2017). Embedded derivatives, as well as the specific parts of investments and services, must be segregated and accounted for individually in compliance with the applicable standards (KPMG, 2020; Widing & Jansson, 2018). *Fourth*, if the contracts have less significant insurance risk then go to *"the right section"* because the contracts are subject to a further assess whether they have discretionary participation characteristics or not (KPMG, 2020). *Fifth*, if the contracts are bound to discretionary participation rules which cannot be separated from the initial contracts then the contracts are classified as investment contracts with discretionary participation features and under the scope of PSAK 74 (EY, 2021). Inherently, the firm has an option to choose accounting policies that are in compliance with PSAK 74 for insurance services or PSAK 72 for fixed-cost service agreements whose primary purpose is to supply services (Cruz, 2019; EY, 2021).

The most problematic sequence is that many insurance firms in Indonesia offer asset guarantee schemes under the pretense of insurance (Heliantono, 2020; PWC, 2019). Those schemes are undeniably an asset's securitization arrangements because the guarantee program is essentially a separate contract from the insurance contract (KPMG, 2016; PWC, 2019). When the firms put a mixture on the schemes, it is analogous to an allegory saying: *"if ladies wear women's clothing and men wear men's clothes, don't allow men to wear women's clothes,*

otherwise there would be a catastrophic scene." LSW expressed the same idea in a webinar on May 27, 2021:

> *"If you declare you are running on a guarantee program and then wrap it up with an insurance policy program, then it is not an insurance contract since the claim on the guarantee contract can only be made just once. Insurance contract claims may be lodged more than once."*

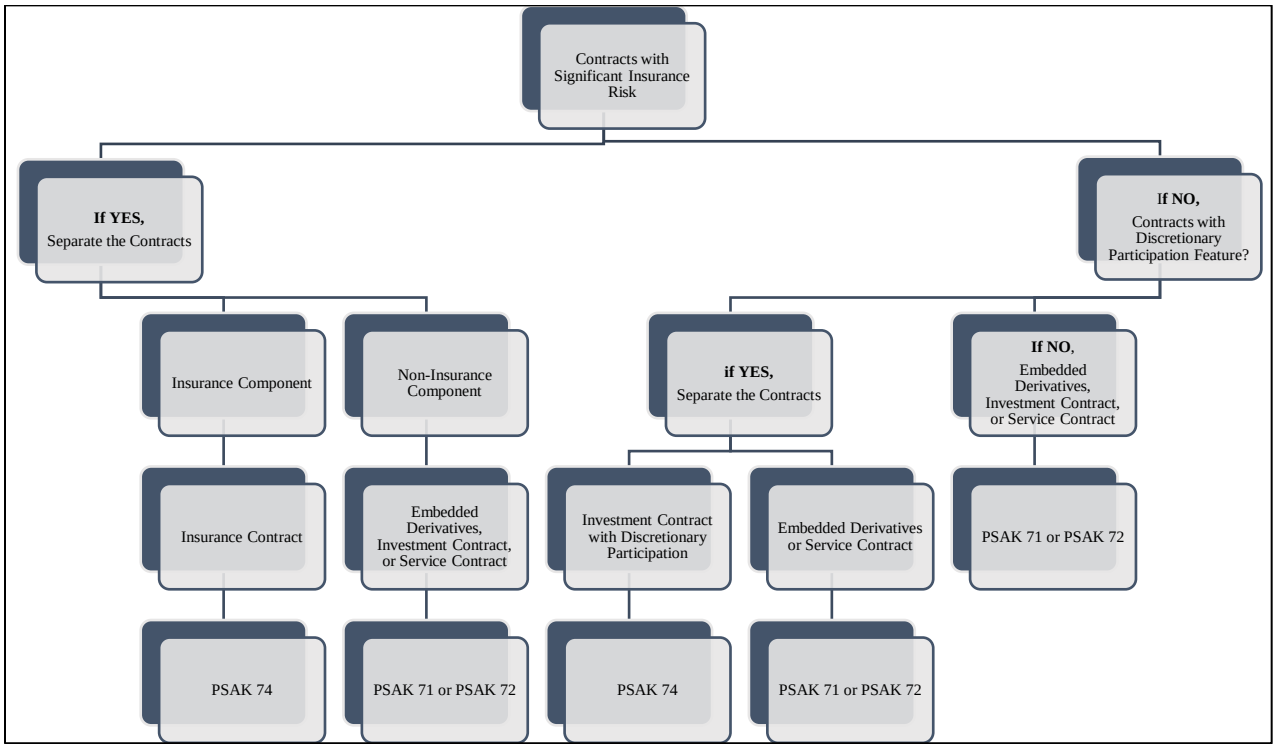


Figure 5. The Framework of PSAK 74 Eligibility
Source: Abstracted from PSAK 74 (2021)

After identifying the aptness of PSAK 74 on insurance contracts, PSAK 74 required the insurance corporation to group every insurance contract into a single portfolio set up on the level of risk similarity and its underwriting year, foretold as "cohorts." LSW, in a webinar dated May 27, 2021, argued that **"cohorts"** is the most challenging ground plan on escalating the insurance contract transparency beyond its current level: *"the ultimate evil of PSAK 74 is named the cohorts. The magic of the cohorts will force the insurance firm to combine every insurance contract with a similar risk into one portfolio, and then each contract must be divided anew based on its underwriting year."* The "cohorts" is unquestionably a significant advancement in accounting standards setting, coercing the insurance sector to transform into a new chapter of business (Dalla Pozza et al., 2018). If the cohorts are successfully put to work, every insurance

policyholder may now track how much money he spends on his claims (GPPC, 2020; KPMG, 2020). The insurance company, on the other hand, can determine the contractual service margin or profit of each contract that remains after customer claims (EY, 2021; Smith & Smith, 2021). Upon initial recognition, the new standard also urges the insurance industry to assign a disjunction between a portfolio with onerous contracts, a group of insurance contracts with no significant prospect of turning into unprofitable contracts, and other profitable contracts (Palmborg et al., 2020). LSW strongly warned that the separation, which is the byproduct of the "cohorts" process, will be such a grueling effort for the insurance industry:

> *"I will tell you that cohorts will be a thorn in the flesh if the insurance sector does not take them seriously." The company must create a full breakdown for each contract level. Can you imagine? millions of insurance policyholders' data must be well-documented. If you only use the MS Excel application to record data, just prepare to file for bankruptcy."* – webinar transcript on June 25, 2021 (Figure 6).

Figure 6. IAI Webinar on PSAK 74
Source: Research Video Records (2021)

To build a better picture of the initial "cohorts" process of accounting for the insurance contract, we will explain it in a brief illustration. You may pay attention to the following example of the fire insurance case of PT Asuransi Jasa Indonesia (JASINDO) for the oil-and-gas corporation and the non-oil-and-gas enterprise. Fires at oil-and-gas firms cause far more damage than fires in non-oil-and-gas companies (Haroen, 2019; Wibowo, 2019). As a consequence, fire insurance contracts in the oil-and-gas industry must be distinguished from fire insurance arrangements in the non-oil-and-gas sector, and they cannot be combined in the same portfolio (PWC, 2017, 2020; Wibowo, 2019). In addition, each of these contracts should be recorded relative to the year of underwriting. The actuary is destined to determine whether the fire insurance contract is

onerous or not as the final step in the insurance contract recognition stage. If the contract is somewhat onerous, the insurance company should reject it. Exasperated, LSW further stated that:

> *"The actuary, not the marketing manager, has the right to determine the go-or-no-go of an insurance contract." If the contract is considered onerous, do not let anyone in your insurance organization come forward undaunted!"* – the webinar transcript on June 25, 2021.

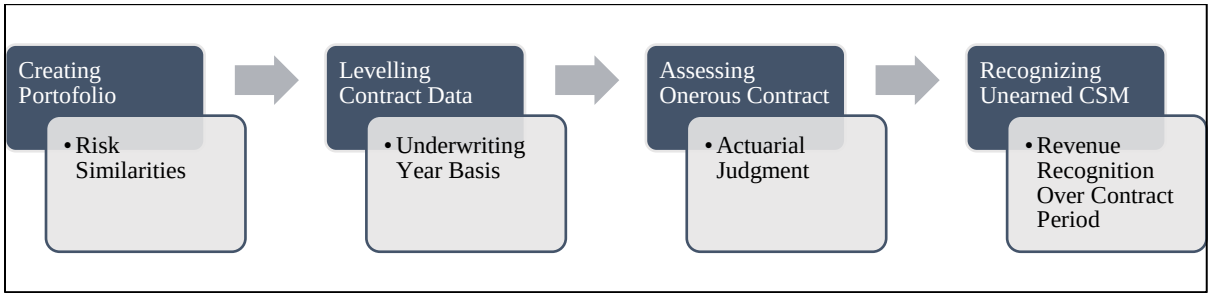


Figure 7. The "Cohorts" Process of PSAK 74
Source: Abstracted from PSAK 74 (2021)

If the insurance business continues to accept the onerous contract, the initial contract loss must be recognized and recorded in the income statement (Widing & Jansson, 2018). If the contract is not onerous, the insurance company may consider whether it is part of a profitable "fat" contract (no substantial probability of being onerous) or a deal that is slightly more classified as onerous (Widing & Jansson, 2018; Yousuf et al., 2020). If the contract is lucrative, the insurance company will recognize the unearned CSM as insurance service performed and release it. To summarize, the picturesque depiction of the cohort process of the insurance contracts is represented in Figure 7.

Measurement of Insurance Policy: Enchanting the Building-Block Hex

> *"Spelling the magic hocus-pocus will undeniably enable the insurance industry to circumvent insurance claims, but only in daily fantasy. Don't be ridiculous! So, that is why the new measurement model of building-block approach becomes critical since it will help the industry to forecast the remaining profit after claims"* said LSW satirically on June 25, 2021 (Figure 8).

The PSAK 74 model for measuring the value of insurance schemes is a powerful actuarial tool and yet arduous (Dahiyat & Owais, 2021; Muskitta & Safitri, 2019; Yousuf et al., 2020). In general, there are three measurement models proposed by PSAK 74 to account for the insurance contract, namely the building-block model, variable-fee approach, and premium allocation

method (EY, 2021; GPPC, 2020; KPMG, 2020; PWC, 2020). The primary model is the building-block approach (Figure 9), which is consisted of 4 blocks: block 1 of future cash flow, block 2 of the time value of money, block 3 of insurance risk adjustment, and block 4 of contractual service margin. The first three blocks are defined as cash flow fulfillment, which is the cash restricted to insurance policyholders for covering their claims. The restricted cash is derived from premium payments made by the policyholders on regular basis, monthly or yearly.

> *"You are prohibited from using the consumer premium payment even for the company's operating activities because the premium now is your obligation to customers!"*, said LSW (webinar transcript on May 27, 2021).

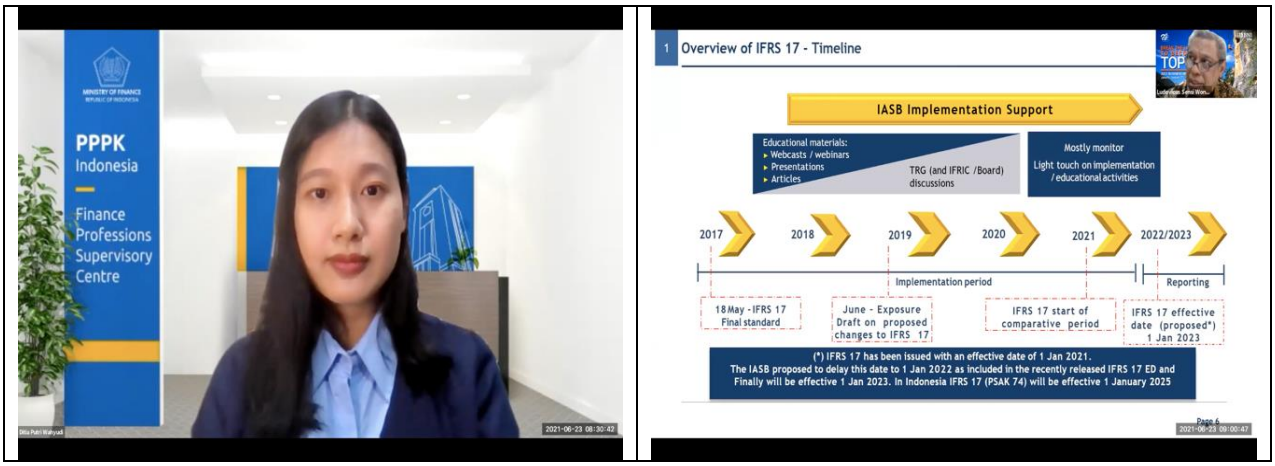


Figure 8. MOF Webinar on PSAK 74
Source: Research Video Records (2021)

The last block of the general measurement model is the profit earned from the insurance contract which can be used for operational purposes. The CSM amount will be deferred as unearned revenue or non-current liability at the time of contract inception and recognized over the life of the insurance contract as the service rendered (EY, 2021; Palmborg et al., 2020). Not only that the CSM value must be "unlocked" periodically, which means that the monetary worth will be recalculated using actuarial assumption adjustments to the degree that the corporation will know whether the insurance contract is still financially beneficial or not (Muskitta & Safitri, 2019; PWC, 2020; Widing & Jansson, 2018). The more efficient the company is in managing its cash outflows the more beneficial the CSM will be.

> "*The operational expenditure incurred as a result of insurance contracts execution is the key to mastering the CSM management. If you fail to efficiently manage the operating expenses then get ready to be out of business",* said LSW (transcript on June 25, 2021).

To fathom the logic of the building-block model in helping the industry calculate the real profit annually in Figure 9, we will bring you back to the illustrative realm of JASINDO. The first is block 1a, which is the expected cash inflow by which the JASINDO actuary predicts from the contractual premium paid by the policyholders. The cash inflow projection should be made for each contract in all insurance portfolios of JASINDO. “Without a sophisticated information and technology system, we cannot project the cash premiums received at the individual contract level,” said IDS, the finance manager of JASINDO, in the online interview dated May 8, 2021. JASINDO actuary will also calculate the discounted expected premiums using the current interest rate and the related time value of money formula of block 2 to determine the present value of expected premiums. The insurance premium received will not be recorded as insurance revenue under PSAK 74 as JASINDO will suffer a major decline in the insurance revenue recognition by the time PSAK 74 is implemented.

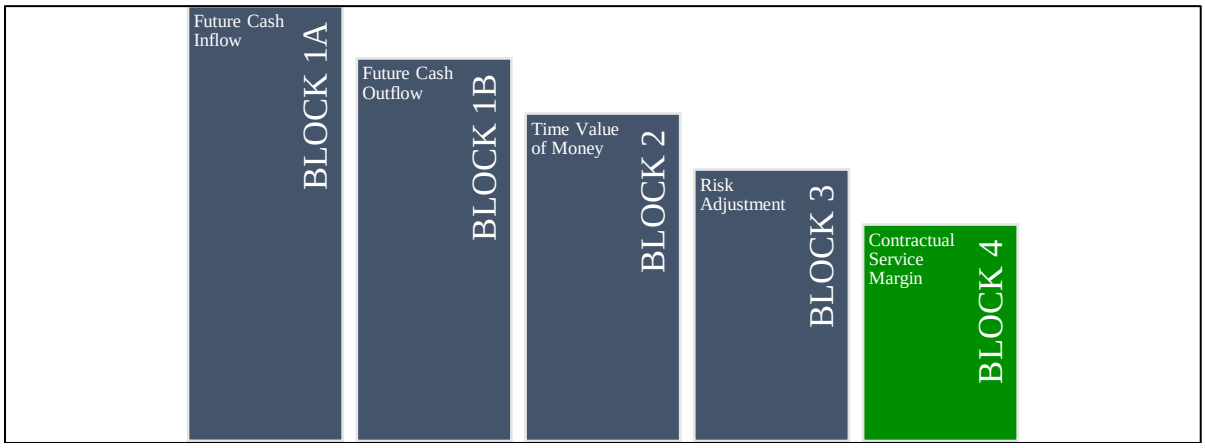


Figure 9. The Building-Block Model
Source: Abstracted from PSAK 74 (2021)

The next is block 1b, which is the cash outflow bound to the execution of insurance contracts comprising (1) initial acquisition cost, (2) actual operating expense, (3) expected claim payment, and (4) expected claim processing cost. In terms of JASINDO, the initial acquisition cost can be in form of a brokerage fee or direct marketing fee incurred for paying insurance salespersons on day zero of the underwriting year. JASINDO will forecast the expected claim payments using the historical payment ratio from previous years at the inception date of the insurance contract. The expected ratio is usually subject to manipulation played by the firm’s actuary but the fraudulent practice will be captured when the PSAK 74 building-block framework is institutionalized. If the internal actuary engineers the claim ratio with biased assumption, the expected claim payment will differ from the actual claim disbursed at the end of the accounting period. LSW pointed out that: "when calculating the projected claim payout, insurance company actuaries may be influenced by perverse incentives. They will make erroneous assumptions, such as reducing the

amount of the claim ratio so that the expected claim value is lowered, and then the CSM will be raised." – transcript on 27th May 2021. After gaining the total expected outflows, the JASINDO actuary will finally compute the discounted future cash outlays using the market rate and the applicable time value of money formula from block 2 in ascertaining the present value of expected payouts.

The discount rate of *block 2* must reflect the fulfillment cash flow characteristics and be consistent with the observable spot price for securities with similar traits to insurance contracts. In this regard, JASINDO will eventually update the observed market rate to capture the essence of factors that are important for the contracts, such as inflation rate, economic growth, and the rate beyond the period of observable data. JASINDO actuary does not need to discount cash flows that are expected to be paid within a year. Afterward, the actuary will enumerate the risk adjustment value of *block 3*. The JASINDO actuary's knowledge of insurance risks is linked to the breadth of the risk adjustment, which is synced to the uncertainties due to lack of experience, low frequency of policyholders but high severity, and current economic trends. The tricky part of appraising the risk adjustment is that the actuary knows precisely the break-even value of an insurance contract as he can determine how many insurance policies the company should issue (Longoni, 2019; Mitrašević & Lalić, 2019; Sotona, 2018). When the insurance contract issuance hits an all-time high but below the current sales target, toying with the risk adjustment formula occasionally is the only option the actuary should opt for. LSW raised this conflicting issue during June 25, 2021 interview. Let us follow his explanation below:

> *"Actuaries know exactly how many insurance contracts to issue as they make assumptions. If the intended volume of insurance policy issuance is not met, the company's financial reserves would be depleted since the insurance premium the company receives is minimal. Instead of being constantly lambasted, the actuary will prefer to just modify the risk adjustment estimate."*

The last block of the insurance measurement model is *block 4*. Recording the output of block 4 is the main purpose of insurance accounting under PSAK 74, which is computing the contractual service margin. PSAK 74 is intended to offer guidelines for tallying a distinct insurance contract. In the case of JASINDO, the company may composite insurance contracts when implementing the standard as long as the aggregation satisfies the raison d'etre and still informs the CSM for the individual contract. Despite that, JASINDO accountants should not pool the onerous contracts with profitable contracts. The amount of CSM reported in JASINDO's financial statements may change every year following the claims incurred as the last will trigger the altercation of underlying actuarial assumptions. Based on this level of aggregation, the enterprise shall know how profitable each insurance contract is at the year-end by determining the residual CSM.

> *"Thus, if I were the finance director [of JASINDO, for example] and want to check how much money we got left, let's say from Medco Energy insurance policy, then I just type the policy number on the system and then tadaaa…the remaining profit, as indicated by the ending balance of Medco's CSM, will be appeared in my computer,"* said LSW (27th May 2021 interview transcript), and *"That is the power of building-block approach of PSAK 74!,"* said IDW when expressing her feeling towards the new measurement model (9th May 2021 interview transcript).

Presentation of Income Statements: Hailing the [King] CSM

CSM will play the important role in PSAK 74 universe by starring the main part in the insurance accounting tableau vivant (Yousuf et al., 2021). In PSAK 74 world, the service margin is monkeyed around from being recorded in the balance sheet as a liability to becoming insurance revenue in the income statement on a contract basis in each period to represent the services performed (Dahiyat & Owais, 2021; Palmborg et al., 2020). The climax is that the contractual service margin cannot be negative (KPMG, 2020). To steer clear of the negativity, future cash inflow must be larger than the contractual service margin (PWC, 2020; Yousuf et al., 2020). The showcase of the CSM tale comes to an end by viewing the final plot twist that the effort to maintain a positive CSM is incredibly effortful (Dahiyat & Owais, 2021; Longoni, 2019). How could it be? The company, i.e. JASINDO, may face a toilsome condition as every cash inflow change should be recorded in the income statement, and also the interest expenditure will be charged to the contractual service margin at a fixed rate at the time of contract recognition (EY, 2021; PWC, 2020). LSW predicted that:

> *"Every insurance company should deal with the fact that its net income may experience a steep fall in 2025 as PSAK 74 show goes live. The company will need a smooth transition as well"* – transcript on 27th May 2021.

Under PSAK 74, amounts related to insurance contracts recognized in financial performance statements are subdivided into two groups: (1) income or expense from underwriting or insurance service results; and (2) income or expense from finance results. *Insurance service revenue* represents the supply of services resulting from a collection of insurance contracts at a rate that reflects the payment to which an entity expects to be entitled in return for those services (KPMG, 2020; Palmborg et al., 2020). As for the JASINDO case, the new revenue proposition in 2025 will be made up of monies connected to changes in each block of the building-block model in Figure 9, which are changes in service provision consisting of changes in cash flow of block 1, the discount rate of block 2, actuarial assumptions of block 3, and the CSM earned of block 4; and amounts related to insurance acquisition cash flows. As the entity offers services during the time, the liability for remaining coverage will be lower and be discharged as income. On the other hand, the obligation for residual coverage may comprise components disassociated with services that are expected to be covered by the receipts of the entire payment (Dahiyat & Owais,

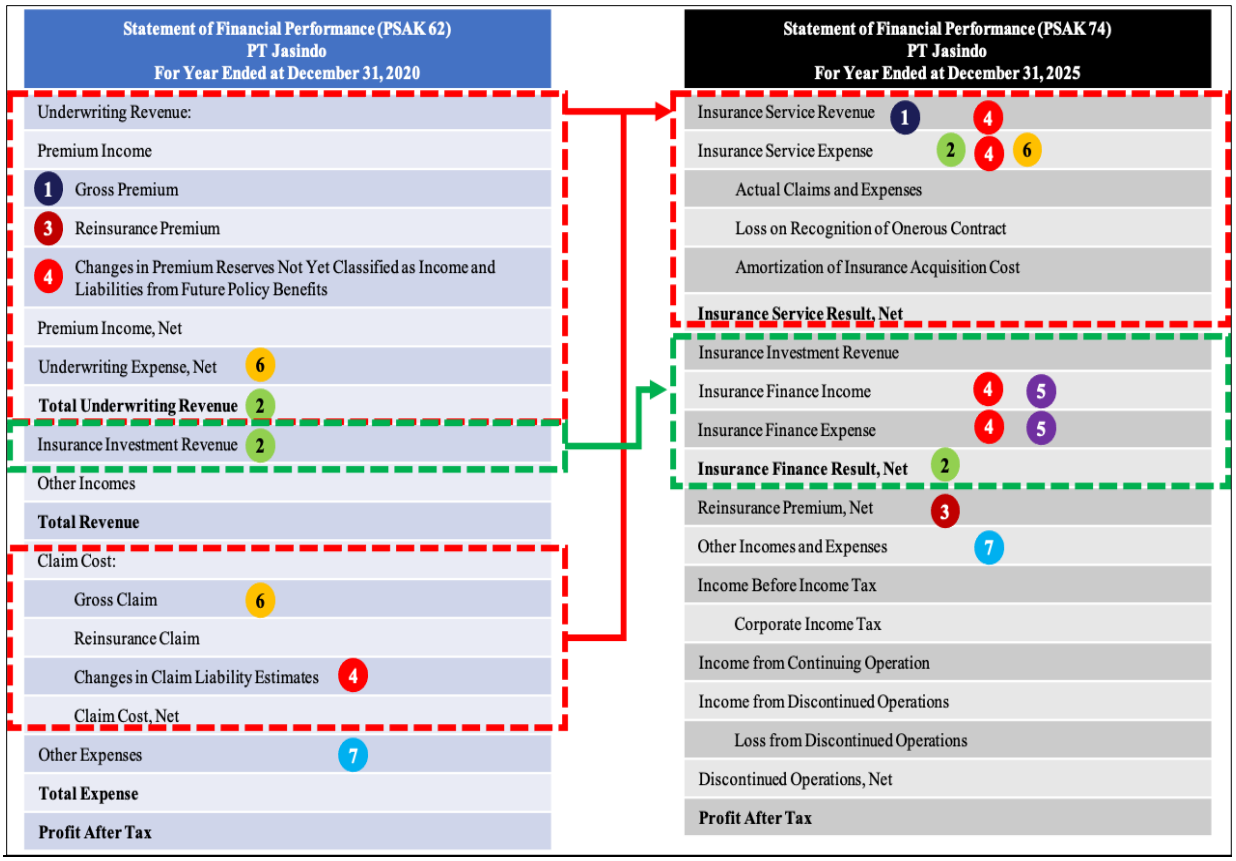
2021; GPPC, 2020). The shiftings in these elements are not accounted for in the JASINDO's insurance income. ETW, the DSAK member, said that:

> *"Insurance service revenue based on PSAK 74 no longer includes cash premium collections as income. Insurance service income will be generated from* ***the release of*** *insurance liabilities. The release is related to each block of general measurement model containing decline in claim predictions [block 1 and block 2], CSM for the current year [block 4], and risk adjustment modifications [block 3]."* – transcript on November 26, 2021.

Meanwhile, KPMG (KPMG, 2020) interprets *insurance service cost* under IFRS 17 (PSAK 74) as expenditure related to sets of insurance products issued. Thus, insurance service expense in the new multiverse of insurance accounting fields consists of actual claims, loss on an onerous contract, and amortization of insurance acquisition cost (Muskitta & Safitri, 2019; PWC, 2020). To refine the JASINDO case in forecasting the new company's income statement, the new service expense for the year 2025 will incorporate the previous three expenses, and be exclusive of sums assigned to investment item payback, premium returns, or policy debt payments. EH, the finance director of PT Asuransi Tugu Pratama, Tbk, added that:

> *"There will be a significant change in expense presentation due to PSAK 74 adoption. The insurance commission cost and insurance claim expense, that were separated before under PSAK 62, will be included in a single account of insurance service expense."* – transcript on November 26, 2021.

The last part of the new income statement puzzle in the insurance accounting world is the presentation of *income or expense resulting from insurance finance activities*. Insurance finance income or expense is excluded from insurance service results and presented in two ways: (1) as part of net income or (2) as part of net income and other comprehensive income (OCI) as well, depending on the firm's accounting policy (EY, 2021; Lindholm et al., 2020). As in the JASINDO case, once selected, the company's accounting policy will require to be implemented consistently at the insurance contracts level. For example, when JASINDO's accountant opts to use the other comprehensive income option, the portion of income (expense) from finance result acclaimed in net income is specified by whether the insurance contract is part of direct participating contracts for which JASINDO controls the underlying items or not. Therefore, the OCI portion is the difference between the total amount of finance income (expense) and the portion carried in net income. Afterward, JASINDO needs to implement the OCI method for recording the insurance finance income (expense) consistently every year.



Description:

First, the gross insurance premium will not be presented because the insurance premium is recorded as liability under PSAK 74. The insurance service revenue will consist of cash flow from the release of CSM and insurance acquisition cash flows. *Second*, the results from insurance activities and payoffs from finance projects will be distinctly displayed. *Third*, the portion for reinsurance income and expense can be separated from insurance service and finance results or become an integral part of insurance service results. *Fourth*, alterations associated with insurance contract liability will be integrated within insurance service results and finance yields. *Fifth*, the time value of money effects, finance risk, as well as loss on foreign currency exchange, will be classified as income or expense from finance results. *Sixth*, actual claims and underwriting expenses will be split into three main accounts of insurance service expenses, namely actual claims, loss on recognition of onerous contract, and amortization of insurance acquisition cost. *Seventh*, other expenses unattributable to the insurance portfolio will be included in the other income and expense section.

Figure 10. Projection of JASINDO's Income Statement Under PSAK 74
Source: Processed from JASINDO Financial Statement of 2020

In the end, insurance service revenue will then be substracted with the insurance service expense to generate the operating income while insurance finance results will be exhibited after the insurance service section (GPPC, 2020; Mitrašević & Lalić, 2019; Palmborg et al., 2020). If JASINDO's actuary has successfully calculated the initial recognition of the insurance contract in an unbiased manner, the amount of operating income will be slightly or even no different from the actual CSM value. LSW revealed this "cross-check" scheme of [King] CSM on June 25th, 2021:

> *"In order to formulate a positive CSM, the actuary will either increase the projected cash inflows from insurance premiums or lower the estimated value of the claim ratio at the beginning of the contract inception. Unfortunately, the standard-setter has read this game so that via PSAK 74, the biased measurement will be unveiled by knowing that the expected CSM and actual CSM will be vastly different at the end of the insurance term."*

To conclude this section, assuming the firm did not use the OCI method to disclose insurance finance outcomes, the full amount of finance results will be reported in the net income section. Figure 10 shows the seven logic processes for projecting JASINDO's financial performance under PSAK 74.

Presentation of Balance Sheet: the [Undisputed] CSM "Liability" [is King] of the Sheet
CSM will still be the main attraction in the insurance accounting show by sharing its part in the insurance obligation segment. The CSM value is derived from the building block model calculation encompassing the expected premiums, future spending, and risk adjustment (KPMG, 2020; Widing & Jansson, 2018). In PSAK 74 framework, CSM reflects the potential profitability of an insurance contract during its useful life (Longoni, 2019; Yousuf et al., 2021). In normal circumstances, the CSM of a direct insurance contract is presumed to be recognized as *insurance contract liability*, along with the unearned proceed from a reinsurance contract, particularly for policies when the entire payment is made upfront (EY, 2021; Lapiņkaia, 2018). Yet, the recurring premium contract may not always result in CSM liability, since the claim ratio, projected margin assumption, and insurance acquisition outlay all play a part in determining whether the contract can produce a positive CSM or vice versa (PWC, 2020; Yousuf et al., 2020). ETW, the influential member of DSAK, affirmed that the new standard establishment strengthens the role of CSM in the balance sheet because placing the CSM as a liability is an ultimate breakthrough in the insurance accounting universe. She said:

> *"PSAK 74 is an accounting standard that focuses on the statement of financial position. Everything will be documented in the balance sheet, and any changes in the statement will be treated as the fulfillment of performance commitments, and profit or loss will be discharged."* – transcript on November 26, 2021.

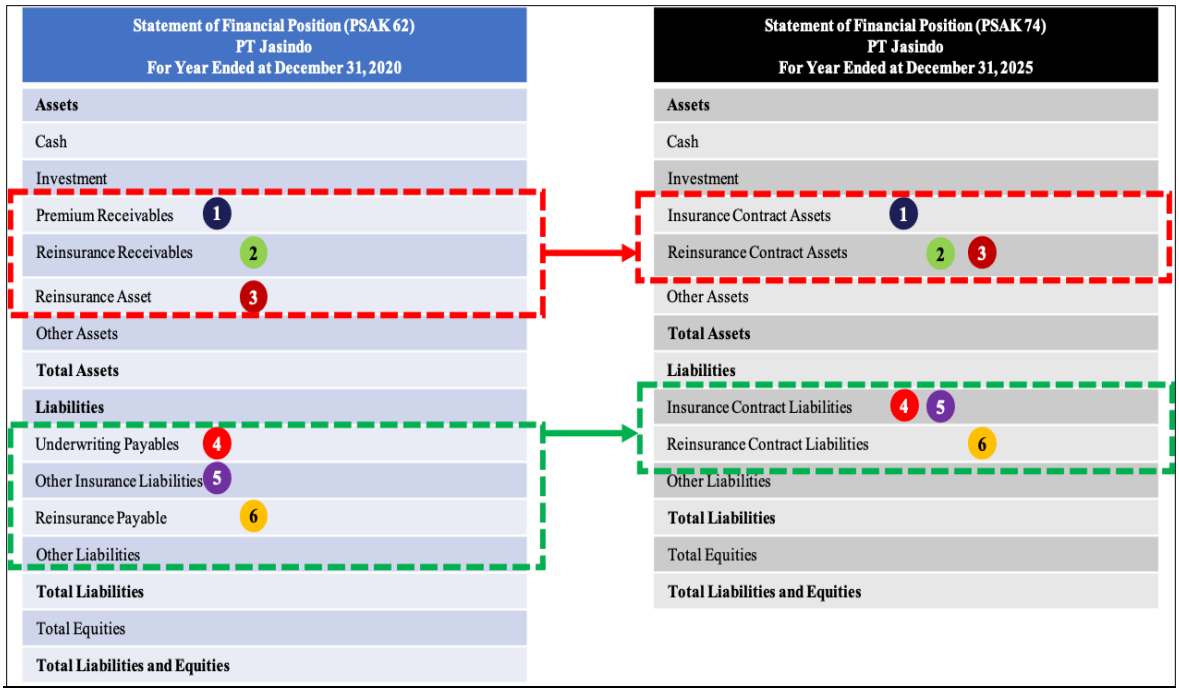
Another portion of the insurance contract value represented in the statement of financial performance based on PSAK 74 is the *insurance contract asset*. The standard unifies the values of premium receivable, policy loan, and deferred acquisition cost into a single contract asset account (Dahiyat & Owais, 2021; KPMG, 2020). The most problematic issue in presenting the insurance asset under PSAK 74 is that the insurer, or in this case, JASINDO, has to put in a lot of effort to collect the insurance premium that has not yet been resolved and is recorded as premium receivable (Lindholm et al., 2020; PWC, 2020). If the company fails to collect the receivables,

the firm's actuary must revise the CSM assumption toward the ongoing contract. As a result, the estimated CSM value will be reduced, resulting in a cash-drained condition for the firm. LSW warned the difficulty the insurer will face regarding the premium receivable issue:

> *"Based on PSAK 74, premium receivables will be included in the insurance contract asset." If this is the case, and the insurance company has already received the policyholder's insurance premium but is unable to collect all claims, the firm's cash inflow (block 1) will be harmed, and the value of CSM will be substantially lowered."* – transcript on May 27, 2021.

In addition, the insurance firm will also have to deal with the complexity of presenting the CSM liability value during the implementation of the new standard. EH explained that: *"because the standard requires us to quantify the remaining CSM value in detail, we [the insurer] can no longer be able to ascertain the value of insurance contract liabilities manually in Microsoft Excel application. As the consequence, we [the insurer] must construct an actuarial engine capable of computing the CSM of all outstanding insurance policies."* (transcript on November 26, 2021). Therefore, PSAK 74 essentially simplifies the presentation of the insurance contract in the balance sheet by forming two accounts as a means: insurance contract asset and insurance contract liability. However, the technical detail to quantify both accounts is tremendously tortuous.

In order to apply the presentation requirements for constructing the statement of financial position of JASINDO, the firm's accountant should firstly determine insurance contract liability, we rather entitle it "the CSM liability", at the inception date. The contract with similar risk is managed altogether in a single insurance contract portfolio. Moreover, the aggregation level of each portfolio or the "cohorts" is applied not only for measuring the contract value but also for presenting the CSM liability. Thereon, the detailed information of each contract in a portfolio should be stored in the JASINDO insurance information system so the entity can identify the updated profit of each contract on a real-time basis. In the meantime, the firm should establish the carrying value of the insurance portfolio embodying (1) the liability or asset for the residual claim for each contract in the portfolio; (2) the liability for the actual claim at a contract level; (3) the assets for the insurance acquisition cost linked to the insurance contract. In presenting the service liability in the income statement, JASINDO would have to separate the CSM liability of the insurance contracts portfolio from the liability of the portfolio of reinsurance contracts. Figure 11 displays the projected balance sheet of JASINDO's under PSAK 74.



Description:

First, PSAK 74 simplifies the reporting process for the insurance contract by grouping the presentation in the balance sheet into two groups: insurance contract assets (or liabilities), and reinsurance assets (or liabilities). The premium receivables become part of the insurance contract assets section. *Second*, the reinsurance receivables and assets are not separately displayed under PSAK 74. *Third*, both are the pivotal elements of the reinsurance contract assets section. *Fourth*, the new insurance accounting standard will no longer decouple underwriting payables and claim liability. *Fifth*, the two are managed concurrently in the same account: insurance contract liabilities. *Sixth*, the reinsurance contract account comprehends reinsurance payable and other reinsurance-related liability.

Figure 11. Projection of JASINDO's Balance Sheet Under PSAK 74
Source: Processed from JASINDO Financial Statement of 2020

#SECOND AIM: THE "YOGA KSHEMA" QUI VIVE IN THE INSURANCE FIELD

To abstract what we have learned from the future implementation of PSAK 74 in the previous section, this segment will discuss how the insurance field in Indonesia should prepare and embrace itself for the upcoming challenge. Researchers use the Yoga Kshema principles to uncover the tacit knowledge regarding the new institutional logic from multi-perspectives as well as to fulfill the second research objective of insurance industry readiness which is the paramount focal point of this chapter. We also assume the insurance accounting field as a theatre of life to strengthen the reflexive quality of the Yoga Kshema principle. Thus, the insurance sector's suitability for PSAK 74 contrivance, as seen through the lens of Yoga Kshema, will be elaborated in three chapters: *episode 1*, setting the plot in the insurance accounting extravaganza; *episode 2*, the respondent and the guardian in the theatre of insurance world; *episode 3*, analyzing the readiness to face the potential calamity during the show.

Episode 1: The Plot of [Winning] the Throne Succession in the Insurance Cosmos

To start the narrative about the plot of the insurance accounting world, researchers begin with the illustration regarding the Aceh Tsunami in 2004 and PT Excelcomindo Pratama, Tbk (XL). When the earthquake and tsunami hit Aceh in 2004, the people of Aceh lost their relatives and were alienated from the outside world due to the communication systems breaking down; All communication devices, however, were entirely dead five hours after the catastrophe. Only one cellular service was still operational: XL Axiata (XL, 2005). When the cellular service entered the Aceh market, the company took into account the fact that Aceh was located in the most dangerous seismic zone, thus the business built earthquake-resistant communication infrastructures to reduce the risk of system failure (XL, 2005). The moral of the Aceh example is that the firm that effectively evaluates its business risks and deals with them to win the competition will be able to sustain its business in the coming times. That is what it means to "win the throne succession." As a result, in our context, the insurance entity that will lead the competition within the insurance market is the one that is properly preparing for future business changes as a result of the adoption of a new insurance accounting standard, PSAK 74.

To win the future is the ultimate plot of the insurance business competition as Yoga Kshema propounded that humans are always planning for the time ahead and making decisions about their lives (Bhatnagar, 2017; OJK, 2016). In this regard, setting what should be achieved for the insurer in the time to come is an important step to face the implementation of PSAK 74 in the next four years. The standard is factually the Indonesian version of IFRS 17 (Muskitta & Safitri, 2019). The standard-setter did not formulate the IFRS 17 overnight (Dufrasne, 2020; Mitrašević & Lalić, 2019). Instead, the project of enacting IFRS 17 or PSAK 74 has been in the works since 1997 (EY, 2021). The mining sector and the insurance business were the only two industries whose accounting rules had not been completely controlled in the early 2000s (Dufrasne, 2020; KPMG, 2020). Both of these standards were also transitory, and they had little effect on the industry's present practice of compiling financial statements (EY, 2021; KPMG, 2020). Even though PSAK 74 was ratified in 2020, the history of its development in Indonesia did not happen in a year. Indonesia has published several local standards for regulating the insurance firm’s financial statement: PSAK 28 for loss on insurance contracts in 1990, PSAK 36 for life insurance in 1996, and PSAK 62 for insurance contracts in 2010 (Muskitta & Safitri, 2019).

On January 1, 2025, PSAK 74 will be completely implemented (IAI, 2021; Muskitta & Safitri, 2019). The insurance sector cannot avoid the fact that it will have to ramp up its efforts going forward since the insurance contracts the business administers are in the millions, not hundreds. Therefore, the industry must estimate the amount of insurance liability at the end of 2024 as the cash flow fulfillment for underwriters. LSW stated the massive amount of insurance contracts the industry handles: *“Asuransi Tugu Pratama has around 3 million insurance policies, BRI Life manages around 10 million insurance contracts, and many else. Therefore, the industry shall prepare the assessment gap to measure how much money the insurance firm should pay for the claims.”* – transcript on June 25, 2021.

In essence, PSAK 74 strongly emphasizes the strategic issue of how the insurer can create more profitable insurance products so they can survive in the praxis field. LSW explained further about the predicament: *"the major issue in PSAK 74 adoption is that the insurance company will survive if the firm can manage the cost of insurance efficiently to claim the leadership in cost management"* (27th May 2021 transcript). In addition, the next big question is whether PSAK 74 is capable of effectively preventing insurance claim payment default. The answer is yes, but why? Let Mr. LSW once again answer the reason: *"premium income paid by policyholders will become more transparent under PSAK 74 rule." The insurer can no longer conceal the amount attributable to premiums and claims in its financial statement. There will be a fair contest."* – transcript on May 27, 2021. If asked, the insurance entity should be able to inform the authority, like OJK, about the residual margin from each insurance contract and total claims related to each policy on a real-time basis. As a corollary, the precise laws controlling the operation of the insurance business may be effective in lowering the probability of payment defaults. In the end, the main plot (read: goal) of staying alive in the insurance accounting spectacle is to attain the cost leadership so that the insurance company can precisely identify how much money the firm got, inside its pocket, to pay the claim for the underwriters.

Episode 2: "Respondent" Leading Actors Starring the Spectacle

In Yoga Kshema cosmology, the shipowner who sailed the ocean to achieve the voyage's goal is known as "the respondent" (Jawad, 2021; OJK, 2016). The shipowner in the multiverse of insurance praxis is transcended in the form of the Indonesian insurance business. The Kshema also proposed that the protector to defend shipowner items from hidden threats is known as "the guardian," and it has evolved into a well-known entity functioning as an insurer in today's terms. However, in our universe, "the guardian" is the consultant assisting the insurance sector in adopting PSAK 74. As explained in the previous section, the establishment of the new insurance accounting logic has shocked the insurance praxis realm (Dahiyat & Owais, 2021; Yanik & Bas, 2017; Yousuf et al., 2021). The thriving to improve transparency is the soul of the new accounting standard amidst compelling the industry to reset its business process (Mignolet, 2017; Rajala, 2020). As a consequence, every entity in the world of insurance practice must adapt to face the influential change and press the actuarial engine button to a maximum limit (England et al., 2019; Yousuf et al., 2021).

To sustain the business in the era of field change, the company needs to manage the cost of insurance efficiently to maintain the expected level of CSM. In the Yoga Kshema context, cost leadership is the *"future aim"* (Bhatnagar, 2017; OJK, 2016). The respondent, or the insurer, is the one that is responsible for achieving the aim with the help of the guardian (the business consultant). The respondent must restart the business process with the new insurance system under the logic of PSAK 74. Implementing the *"cohorts"* along with the building-block model is the first crucial step the insurer should start with (KPMG, 2020; Yanik & Bas, 2017). In doing so, the company's actuary plays a center point in the middle of the insurance cosmos for

measuring how much money the firm should earn from every insurance policy. The successful implementation of PSAK 74 will highly depend on actuarial skill and judgment. Therefore, the demand for actuary positions will be high in the new era as the cost to pay the actuary will be multiple times more expensive than before PSAK 74 implementation. LSW explained the tight competition to hire an experienced actuary: *"actuaries are crucial workers for insurance firms to have. The actuary's pay has now more than quadrupled. Even in Singapore, actuarial resources are in short supply and in high demand. As a result, actuaries are extremely scarce and costly in this IFRS 17 (or PSAK 74) age."* – transcript on May 27, 2021.

The next vital stage for winning the insurer competition in the future era is to cement a software engineer position within the company structure. If the insurer continues to utilize a traditional database system, the vast volume of insurance policy data will be hard to maintain (Alzobaidy & Al-Mashhadani, 2020; Rajala, 2020). The information technology engineer position plays a pivotal role in enabling the automated actuarial engine which will improve the insurance cost efficiency. As a result, the company must develop an integrated insurance management system that will yield the CSM value for use in financial reporting. LSW explained further on the IT issue: *"the insurer cannot effectively manage millions of insurance contracts utilizing conventional data management systems like Excel. Impossible! You have to develop an end-to-end enterprise information system to compute CSM for each contract, which would be exorbitant."* – transcript on June 25, 2021.

The last resource playing an important part within the respondent's structure is the accountant. The actuarial measurement system will prompt the CSM value to be used by the accountant to record the CSM liability. To present the firm's insurance accounts in an unbiased manner, the insurance business should ensure that the accountant understands the rationale behind the general measurement model designed by the actuary (Dufrasne, 2020; Muskitta & Safitri, 2019). In addition, because there are insurance products that link to investment attributes, PSAK 74 should be implemented in parallel with PSAK 71 on financial instruments (GPPC, 2020; PWC, 2020). The challenge for the insurer's accountant is going to be more complex due to the disclosure regarding policies with those characteristics requiring more detailed information per contract level. Thus, the future of the "*accountuary",* or accountant with actuarial skill, will be promising in the new world of insurance praxis as ETW said: *"In the years ahead, accountants, particularly those with actuarial expertise, will play a leading role as they will be the only ones who understand how to cook the ingredients for presenting the CSM obligation." They were dubbed "akuntaris" by and"* (26th November 2021 transcript). In summary, those three actors: actuary, IT engineer, and accountant, will star in the upcoming spectacle of PSAK 74 in the theatre of insurance accounting and be in control of winning the competition in the rough insurance business.

Episode 3: The Precaution of "Chapter-XI" Calamity

To contextualize the potential threat in the upcoming insurance world, researchers begin with the infamous story of Alice in Wonderland. *"Once upon a time, a little young woman named Alice, the protagonist, enjoyed going for walks in the woods. She went for a walk alone on Saturday but*

then suddenly became disoriented and got lost. A rabbit who happened to be passing by noticed Alice and began speaking with her. "Where are you going, Alice?" the rabbit said. "I'm not sure," Alice said" (Aart et al., 2010; Gündüz, 2019). From the narrated story, we can infer that Alice's loss in the woods poses a threat, which is she probably cannot find her way out of the woods and grieve with hunger. The threat is essentially a negative risk which is, in terms of Yoga Kshema, defined as an event that may harm the person (OJK, 2016). In our research context, we characterized the negative risk as to the failure to perform PSAK 74 framework. The risk will result in the "Chapter-XI" calamity, which is an English metaphor for a company filing for bankruptcy (Weinstein et al., 2013). To explicate the industry readiness in tackling the calamity, researchers explore the issue in two main subtopics, namely analyzing the pre-impact scrutiny, and tracking the readiness of IFRS 17 implementation.

Pre-impact Analysis to Build the Awareness System

The Indonesian General Insurance Association (AAUI) reported in a survey to its members at the end of the year 2020 that there are still few insurance firms who are unaware of the PSAK 74 effective date. Up to 23% of those polled claimed to not have prepared for PSAS 74, and 40% said they didn't have actuaries on staff (Media Asuransi Indonesia, 2021). The paucity of actuarial professionals will be a future barrier to the adoption of PSAK 74 in Indonesia. The insurance industry has to deal with the scarcity and then start collecting the required data for measuring the CSM of every contract in the insurance portfolio. Not only that, the cash flow projection model, as well as the financial assumptions, should also be designed in parallel with building the CSM engine. On the other hand, the accountant will be needed to formulate a new chart of accounts that conforms to the PSAK 74 framework and conduct an expense study for designing the cost allocation model.

Therefore, the industry needs to seek out a management information system that can integrate the actuarial measurement process with the financial reporting protocols because PSAK 74 mandates the industry to identify the CSM liability periodically. At this stage, the insurer should analyze the minimum requirements from actuarial and accounting standpoints before executing the PSAK 74. Fulfilling the requirement analysis is the key success factor for the industry in achieving the goal of business sustainability in the long run as emphasized by EH that: *"insurance contract data and actuarial methodology to process the data will be the main inputs for the actuarial engine. PSAK 74 forces us to measure the CSM using those inputs in detail. Thus, preparing the sufficiency of those inputs is the pivotal step for us in succeeding the application of the new standard."* – transcript on 26th November 2021.

The failure to undertake the pre-impact analysis will result in the chapter XI calamity. In a nutshell, there is no turning back and only one way forward, which is for the industry to take the fulfillment of basic requirements completely if the business wants to survive in the new era of PSAK 74. LSW implied that to complete the requirements, the insurance industry needs to: *"build the awareness system within the organization because PSAK 74 will shape radically the*

company's business process" (transcript on June 25, 2021). The insurer's top management cannot let its guard down. Instead, they must communicate the operational strategy for meeting the initial requirements of PSAK 74 to their internal structure because the company must decide which costs should be cut off to cover the investment in the IT system. *"Don't meddle with PSAK 74! Whether you like it or not, expenses associated with value-added operations must be reduced since the corporation is required to pay a large amount of cash to procure the integrated CSM engine license,"* said LSW on June 25, 2021 interview.

The Readiness Progress of PSAK 74 Implementation

Readiness to change refers to a company's ability to adapt to the upheaval (Weiner, 2009). Armenakis et al. (Armenakis et al., 1993) divided organizational transformation readiness into three levels: *firstly*, the burden to compromise the new insurance business practice; *secondly*, the attitudes of organizational members towards institutional change; *thirdly*, the firm's efforts to implement large-scale improvements. In our context, the three characteristics decide whether or not the insurance firm is prepared to apply PSAK 74. In the first stage, the greatest barrier to change is in terms of human resources: actuary and accountant, which necessitate a complete grasp of the notion of CSM liability, which has never been used in insurance practice previously. IDS added that the lack of PSAK 74 competence is the biggest challenge for Jasindo to practice the new accounting standard: *the lack of accountants who understand the PSAK 74 framework will undoubtedly be a significant problem. For example, we commonly refer to revenue as the premium received, yet that amount will be eventually reduced to "nothing" under PSAK 74. This situation will be challenging for our accountant"* – transcript from the 8th May 2021 interview.

The next is the company's internal attitude towards the new practice. PSAK 74 demands the insurer to preserve thorough and systematic historical data, hence the preparation for its implementation needs to be done retroactively. The insurance business will face issues as a result of the disorganized administration of historical data. Surprisingly, JASINDO has faced no substantial challenges in preserving the historical data of insurance policies and we should learn about its secret as IDS revealed: "*because we created an online system, we didn't have any severe problems with the completeness of historical data. However, for successful enforcement of PSAK 74, we will undergo a major system redesign to suit the requirements for accounting system adjustments and develop an acceptable database"* – interview transcript on 8th May 2021.

The last point to comprehend the readiness progress is the firm's attempt to take a major leap in proceeding with the change. In this case, JASINDO claims they have made a significant step forward by planning to apply the new accounting standard, even a year ahead of PSAK 74's statutory application deadline of January 1, 2025. Working with an experienced consultant is the reason for the company's confidence in PSAK 74 immediate implementation even though the firm has to spend money on the consultant's service. IDS strongly argued that *"JASINDO has begun working with Ernst & Young to assist in the design of IT systems as well as charts of accounts for PSAK 74 application. Don't ask about the price because you won't believe the numbers. Therefore we target to apply PSAK 74 two years quicker than OJK stipulates in 2025."* – interview transcript on May 8, 2021.

To compare and contrast, how do we know that other insurance companies are prepared to confront the PSAK 74 era? The answer is simple and clear: merely follow the JASINDO's lead. The industry that adopts JASINDO's approach in preparing for the new accounting standard's implementation will be ready to compete in the forthcoming era. Before PSAK 74 applies, insurance firms must conduct a gap analysis to determine the disparity between their current state and their expected state. The gap analysis may be performed with the assistance of consulting firms that are professionals in their industries. JASINDO, for example, has recruited Ernst & Young to supervise its preparations for PSAK 74 adoption.

The inability to conduct the gap analysis will result in chapter XI calamity. As a result, there is no going back and only one option left: hire the experts to aid the insurer in handling the gap analysis and designing the PSAK 74-based IT system, as well as coaching the firm's accountants to gain competence in the new institutional logic. The PSAK 74 application will begin on January 1, 2025, which is around four years from recent times. The date is the result of a change based on insurance company offers. MLM believes that the time allotted for the preparation is more than adequate, as stated in the following remark.

> *"The year 2025, is a compromise year that has accommodated recommendations from insurers to establish a suitable preparation period for PSAK 74 adoption. The deadline was originally set for January 1, 2023, however, it was later extended to January 1, 2025. The standard must be adopted immediately since IFRS 17 will likewise enter into force on January 1, 2023, on the global level. So make sure Indonesia doesn't miss the train"* – interview transcript on March 27, 2021.

CONCLUSIONS

The COVID-19 pandemic has left people around the world experiencing uncertainty. Economic risks and health risks are both examples of such uncertainty. Insurance becomes critical to meet the community's needs for risk transfer during this pandemic by transferring risks from various uncertainties. Insurance also protects the citizens by taking into account potential financial losses. The accounting standard to improve the transparency of insurance contract reporting is PSAK 74. With the application of PSAK 74, the insurance industry financial statements would be more indicative of the actual situation, hence assisting the statement's users in making their best judgments. The implementation of PSAK 74 will have a substantial influence on the measurement of liabilities, earnings, and the presentation of financial statements for the insurance sector. The main challenges in preparing for the implementation of the new insurance contract standards are technology and information instruments, as well as limited human resources. Insurance companies must now develop a qualified operational strategy to compete in the Indonesian insurance market in the upcoming years. As a result, a meticulous plan is

necessary if insurance companies are about to survive in the presence of competition when PSAK 74 takes effect on January 1, 2025. In addition, insurance companies must conduct a gap analysis to assess their various shortcomings to meet the requirements for executing the PSAK 74. The limitation of this study is that we have limited access to the source person in the accounting standard board members and big insurance firm high officials so we cannot conduct the online interview with them.

However, we have tackled these issues by attending the PSAK 74 webinars and refining several asked questions which were related to our research topics in the discussion session. Our research is confined to the setting of insurance firms that have the same characteristics as the company that was the subject of our investigation. Besides that, the technical aspect of calculating CSM using the building-block model has not been examined elaborately in our study. As a consequence, future research can fill in the gaps left by our study by elaborating how to calculate the CSM using a general measurement model, as well as relevant case study examples, so that actuaries and accountants in the insurance industry can directly benefit from the study.

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List of Abbreviations
BPS: Central Statistics Agency. CSM: contractual service margin. JASINDO: Asuransi Jasa Indonesia. Covid-19: coronavirus disease spreading out in 2019. BC: before century. DSAK IAI: the Indonesian Financial Accounting Standards Board. IASB: International Accounting Standards Board. GPPC: Global Public Policy Committee. IAI: the Indonesian Institute of Accounting. IFRS: International Financial Accounting. KPMG: Klynveld Peat Marwick Goerdeler. MOF: Ministry of Finance of Indonesia. OJK: Otoritas Jasa Keuangan. PSAK Indonesian Financial Reporting Standard. PWC: Pricewaterhouse-Cooper. XL: PT Excelcomindo Pratama, Tbk.

Authors' Contribution
RAQ structured and refined the introduction, research method, result and discussion, and conclusion section; conducted and participated in the online observations; performed thematic analysis and interpreted the data; added relevant literature; and revised the manuscript. YMS performed the interview and provided the transcript. AFA helped create the final manuscript. RK aided the review of the final manuscript.

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The authors declare no competing interests.

Availability of Data and Materials
We do not broadly disseminate our transcript data in order to protect the privacy and anonymity of informants.

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