
ANALYSIS OF THE EXPECTED IMPACT OF PSAK 117 IMPLEMENTATION ON THE QUALITY OF FINANCIAL STATEMENTS IN INSURANCE COMPANIES



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Abstract

This study aims to analyze the expected impact of PSAK 117 implementation on the quality of financial statements in insurance companies, particularly in terms of relevance and reliability of accounting information. Data were collected through questionnaires distributed to finance and accounting practitioners in insurance companies, with a total of 46 respondents from various positions and work experiences. Descriptive analysis results indicate that respondents have high expectations regarding the application of PSAK 117, with average scores of 4.46 for relevance and 4.42 for reliability of financial statements. Respondents perceive that this standard can provide more accurate, complete, and transparent information, thereby supporting more precise decision-making. These findings emphasize the importance of consistent PSAK 117 implementation to enhance financial statement quality and provide a solid basis for managerial and investment decisions in insurance companies.

Keywords: PSAK 117, Financial Statement Quality, Relevance, Reliability, Insurance Companies

INTRODUCTION

Globalization of financial reporting has continuously driven the alignment of national accounting standards with international standards to enhance the comparability and transparency of financial statements across countries (Arce et al., 2023). In the insurance industry, one of the most significant changes in the past decade is the issuance of IFRS 17 Insurance Contracts by the International Accounting Standards Board (IASB). This standard replaces IFRS 4 and introduces a measurement approach based on current fulfillment value, fundamentally altering the recognition, measurement, presentation, and disclosure of insurance contracts (Alhawtmeh, 2023). According to Dahiyat & Owais (2021), IFRS 17 is designed to improve relevance and provide a more faithful representation of insurance liabilities in financial statements.

As part of the effort to align national standards with international standards, Indonesia has sought to adopt IFRS 17 through the Statement of Financial Accounting Standards (PSAK) 117 on Insurance Contracts. The issuance of PSAK 117 brings several substantive changes compared to previous standards, particularly in the separation of contract components, measurement of liabilities based on the present value of future cash flows, recognition of the contractual service margin (CSM), and enhanced transparency of risk disclosures (Anjani & Wondabio, 2023). The transformation in recognition and measurement mechanisms under PSAK 117 is fundamentally aimed at producing more informative financial information, ultimately targeting a single objective: improving the quality of financial reporting.

Within the conceptual framework of financial reporting, information quality can be determined by various fundamental qualitative characteristics, including relevance and faithful representation. According to Yousuf et al. (2021), relevant information can influence the economic decisions of financial statement users through its predictive and confirmatory value. Meanwhile, information that is faithfully represented—presented completely, neutrally, and free from material error—reflects the true economic substance of the company (Yousuf et al., 2021; Jalastri & Lestari, 2024; Sibarani et al., 2024). However, since PSAK 117 has not yet been implemented in Indonesia, its effectiveness cannot be empirically evaluated through published financial statements. Under these conditions, a more relevant approach is to examine the expectations of management and accounting practitioners regarding the relevance and faithful representation of the new standard.

To date, research on IFRS 17 has primarily focused on quantitative impact simulations, such as changes in profit, equity volatility, or shifts in financial ratios in countries that have implemented or are in the process of implementing the standard. Studies that examine industry expectations during the pre-implementation phase, particularly in developing countries, remain relatively limited. Therefore, this study is conducted because the implementation of PSAK 117, especially in terms of readiness and expected impact on financial statement quality in Indonesia, has not been extensively investigated. This creates a research gap concerning how insurance companies anticipate the effects of the new standard. Hence, this study is important to provide empirical insight into the expectations of the insurance industry regarding PSAK 117 and its potential contribution to improving financial reporting quality.

Based on this background, this study aims to explore and describe the expectations of insurance professionals regarding the potential impact of PSAK 117 implementation on the relevance and reliability of financial statements. Unlike studies that examine actual post-implementation impacts, this research employs a descriptive quantitative approach to map industry perceptions and expectations at the pre-implementation stage. Therefore, the contribution of this study lies in providing initial empirical evidence regarding the readiness and confidence of the Indonesian insurance industry in responding to forthcoming changes in financial reporting standards.

REVIEW OF LITERATURE

IFRS 17, PSAK 117, and the Transformation of Insurance Financial Reporting

The issuance of IFRS 17 by the IASB marks a fundamental change in the accounting for insurance contracts globally. IFRS 17 replaces IFRS 4, which previously allowed significant flexibility in measuring insurance liabilities, resulting in low comparability across entities and jurisdictions (Arce et al., 2023). IFRS 17 introduces a current fulfillment value measurement approach, reflecting periodically updated estimates of future cash flows and incorporating the contractual service margin (CSM) as a mechanism for systematic profit recognition over the coverage period (Dahiyat & Owais, 2021).

In Indonesia, alignment with IFRS 17 is realized through PSAK 117 on Insurance Contracts, which introduces significant changes in the recognition, measurement, presentation, and disclosure of insurance contracts compared to previous standards. The standard is implemented to enhance transparency, consistency, and comparability of financial statements in insurance companies, and these changes are expected to have a direct impact on the quality of financial information, particularly regarding relevance and reliability (Dahiyat & Owais, 2021).

Relevance in Financial Reporting

Within the Conceptual Framework for Financial Reporting, relevance is one of the fundamental qualitative characteristics (Puspitosari et al., 2019). Information is considered relevant if it can influence the economic decisions of users through its predictive and confirmatory value. Regarding the implementation of PSAK 117, the adoption of a measurement model based on estimates of future cash flows potentially enhances the ability of financial statements to reflect the actual economic condition of insurance companies (Owais & Dahiyat, 2021). Due to the periodic updating of assumptions and the transparency of risk disclosures, financial statements are expected to provide a more informative view of profitability and risk exposure (Suryani & Mita, 2024). Therefore, adopting PSAK 117 is assumed to improve the relevance of financial information.

Reliability in Financial Reporting

Reliability, known in the conceptual framework as faithful representation, refers to the extent to which information is complete, neutral, and free from material error (Puspitosari et al., 2019). One criticism of previous standards was the flexibility of methods, which caused inconsistencies in profit and liability recognition across insurance companies (Julyono & Purnamasari, 2024; Hartojo & Purnamasari, 2023). Consequently, IFRS 17, aligned through PSAK 117, introduces a more structured and principle-based approach, including the obligation to update estimates and disclose key assumptions used in measurements. This

transparency is expected to enhance credibility and provide a more faithful representation of insurance liabilities (Owais & Dahiyat, 2020).

RESEARCH METHOD

This study employs a quantitative approach with a descriptive research design. The focus of the research is to measure and map the expectations of insurance industry practitioners regarding the impact of PSAK 117 implementation on financial statement quality, particularly in terms of relevance and reliability. The study aims to assess the level of industry expectations as early empirical evidence of PSAK 117 implementation in Indonesia.

Population and Sample

The population of this study consists of professionals working in the insurance sector, including company accountants, finance managers, actuaries, internal auditors, and financial reporting staff involved in the preparation of financial statements. The purposive sampling technique was employed, with the following criteria for respondents:

1. Having a minimum of one year of work experience in the insurance industry;
2. Possessing a basic understanding of PSAK 117 or being involved in the preparation of financial statements;
3. Holding a position in accounting, finance, auditing, or actuarial functions.

Data Analysis Technique

Data analysis in this study was conducted using IBM SPSS Statistics 25 for Windows. As this research adopts a descriptive quantitative approach, the analysis technique employed is descriptive statistics. Descriptive statistics were used to illustrate and map the level of expectations of insurance industry practitioners regarding the impact of PSAK 117 implementation on the relevance and reliability of financial statements through the presentation of frequency distributions, percentages, and mean scores of respondents' answers. This approach aims to provide initial empirical insight into the perceptions and expectations of the Indonesian insurance industry regarding PSAK 117 implementation, which is currently at the pre-implementation stage in the country.

RESULTS AND DISCUSSION

The following are the research results obtained from the analysis using SPSS, namely:

Table 1.
Respondent Description

Information	Category	Frequency	Percentage
Gender	Laki-Laki	24	52.2%
	Perempuan	22	47.8%
Age	20 – 30 Tahun	20	43.5%
	30 – 40 Tahun	18	39.2%
	40 – 50 Tahun	6	13%
	> 50 Tahun	2	4.3%
Length of work	1 Tahun	2	4.3%

Information	Category	Frequency	Percentage
	2 -3 Tahun	15	32.7%
	4 – 5 Tahun	29	63%
Position	Akuntan	8	17.4%
	Finance	13	28.3%
	Audit	11	23.9%
	Manajer Keuangan	14	30.4%

Source: Data Processed (2026)

Based on the data analysis, the respondents of this study exhibited diverse demographic characteristics in terms of gender, age, length of service, and position. Regarding gender, the majority of respondents were male, totaling 24 individuals (52.2%), while female respondents numbered 22 (47.8%). This composition indicates a relatively balanced participation between male and female respondents, providing a variety of perspectives regarding expectations for the implementation of PSAK 117 in insurance companies.

In terms of age, most respondents were in the 20–30-year age group, totaling 20 respondents (43.5%), followed by 30–40 years with 18 respondents (39.2%). Respondents aged 40–50 years numbered 6 (13%), while those over 50 years were 2 respondents (4.3%). This distribution indicates that the majority of respondents are in their productive working years and actively engaged in the finance and accounting sectors, and are thus expected to have sufficient understanding of developments in accounting standards, including PSAK 117.

Regarding length of service, most respondents had 4–5 years of work experience, totaling 29 individuals (63%), followed by 2–3 years with 15 respondents (32.7%), and only 2 respondents (4.3%) had one year of experience. This suggests that the majority of respondents possess substantial professional experience and are therefore considered capable of providing objective assessments of the expected impact of PSAK 117 on the quality of financial statements in insurance companies.

In terms of position, respondents came from various roles related to financial management and reporting. The largest group was Finance Managers, with 14 respondents (30.4%), followed by Finance staff with 13 respondents (28.3%), Audit staff with 11 respondents (23.9%), and Accountants with 8 respondents (17.4%). This diversity in positions indicates that respondents hold different responsibilities in the preparation, supervision, and analysis of financial statements. Consequently, the data obtained is expected to provide a comprehensive overview of industry practitioners' expectations regarding the impact of PSAK 117 on improving the quality of insurance financial reporting.

Table 2.

Respondents' Expectations on the Relevance of Financial Statements under PSAK 117

No	Statement	Average
1	<i>Penggunaan PSAK 117 dalam pengukuran kontrak asuransi berbasis nilai wajar akan membantu pengguna dalam proses pengambilan keputusan yang lebih tepat.</i>	4.50
2	<i>Penggunaan standar baru dalam pengakuan contractual service margin (CSM) akan membuat informasi akuntansi</i>	4.46

No	Statement	Average
	<i>yang diterima pengguna menjadi lebih berpengaruh dalam proses pengambilan keputusan.</i>	
3	<i>Penerapan standar baru terkait nilai waktu dalam pendiskontoan arus kas akan memberikan informasi akuntansi yang lebih relevan bagi pengguna dalam proses pengambilan keputusan.</i>	4.41
4	<i>Larangan saling hapus (offsetting) antara keuntungan dan kerugian kontrak asuransi dalam PSAK 117 akan meningkatkan relevansi informasi akuntansi yang disajikan kepada pengguna dalam pengambilan keputusan.</i>	4.37
5	<i>Penerapan PSAK 117 terhadap risiko asuransi (penyesuaian risiko) akan menyediakan informasi akuntansi mengenai beban ekonomi yang ditanggung perusahaan akibat risiko tersebut.</i>	4.46
6	<i>Informasi akuntansi yang dihasilkan dari penerapan PSAK 117 akan memengaruhi proses pengambilan keputusan pengguna laporan keuangan.</i>	4.57
Average		4.46

Source: Data processed (2026)

Based on Table 2, respondents exhibit high expectations regarding the relevance of financial statements under PSAK 117. The mean scores for all statements range from 4.37 to 4.57 on a 5-point Likert scale, indicating that most respondents agree to strongly agree that the implementation of PSAK 117 enhances the relevance of accounting information for financial statement users.

The statement with the highest mean is number 6: “The accounting information generated from the implementation of PSAK 117 will affect users’ decision-making processes,” with a mean of 4.57. This indicates that respondents perceive PSAK 117 as having a significant overall impact on decision-making.

Statement number 1 regarding the use of PSAK 117 in fair value measurement of insurance contracts also received a high mean of 4.50, reflecting the perceived importance of the standard in providing accurate and timely information for decision-making. The statement with the lowest mean is number 4 concerning the prohibition of offsetting gains and losses of insurance contracts, with a mean of 4.37, which still reflects a positive perception, albeit slightly lower than the other statements.

Overall, the combined mean of 4.46 demonstrates that respondents have very high expectations regarding the improvement of financial statement relevance through the implementation of PSAK 117. This reflects a strong awareness among practitioners of the importance of the new accounting standard in providing more informative, transparent, and reliable information for economic decision-making (Owais & Dahiyat, 2021).

Table 3.
Respondents' Expectations on the Reliability of Financial Statements under PSAK 117

No	Statement	Average
1	<i>Penerapan PSAK 117 akan memberikan informasi akuntansi yang akurat mengenai aset dan liabilitas yang timbul dari kontrak asuransi kepada pengambil keputusan.</i>	4.33
2	<i>Penggunaan standar baru dalam estimasi arus kas akan didasarkan terutama pada asumsi yang objektif yang menjadi dasar dalam pengambilan keputusan manajemen perusahaan.</i>	4.37
3	<i>Penerapan PSAK 117 akan memberikan informasi akuntansi yang lengkap mengenai kontrak asuransi kepada pengambil keputusan.</i>	4.41
4	<i>Penerapan PSAK 117 melalui penggunaan pendekatan umum (general measurement approach) akan menghasilkan estimasi arus kas masa depan yang lebih akurat.</i>	4.41
5	<i>Penerapan standar baru melalui penggunaan pendekatan alokasi premi (premium allocation approach) akan menghasilkan estimasi nilai sisa untuk menutup kelompok kontrak asuransi yang lebih akurat.</i>	4.48
6	<i>Adopsi standar ini mengharuskan agar dalam estimasi arus kas masa depan seluruh informasi akuntansi mengenai jumlah, waktu, dan ketidakpastian turut dipertimbangkan dan diungkapkan.</i>	4.54
Average		4.42

Source: Data processed (2025)

Based on Table 3, respondents exhibit high expectations regarding the reliability of financial statements under PSAK 117, with mean scores for all statements ranging from 4.33 to 4.54 on a 5-point Likert scale. This indicates that the majority of respondents believe the implementation of PSAK 117 will enhance the quality of accounting information, making it accurate, complete, and reliable for decision-makers.

The statement with the highest mean is number 6: “The adoption of this standard requires that all accounting information regarding amounts, timing, and uncertainties be considered and disclosed in the estimation of future cash flows,” with a mean of 4.54. This highlights that respondents emphasize the importance of transparency and comprehensive disclosure in future cash flow estimates as a key aspect of financial statement reliability.

The statement with the lowest mean is number 1: “The implementation of PSAK 117 will provide accurate accounting information regarding assets and liabilities arising from insurance contracts,” with a mean of 4.33. Despite being slightly lower than other statements, this still reflects a positive perception among respondents.

Overall, the combined mean of 4.42 demonstrates that respondents have very high expectations regarding the improvement of financial statement reliability through the implementation of PSAK 117. This reinforces the perception that the new accounting standard can provide information that is not only relevant but also trustworthy, thereby supporting more accurate decision-making in insurance companies (Owais & Dahiyat, 2021).

Discussion

Based on the data analysis, respondents' expectations regarding the implementation of PSAK 117 can be examined from two main aspects: relevance and reliability of financial statements. The analysis of Table 2 shows that respondents perceive PSAK 117 to have a significant positive impact on the relevance of accounting information for financial statement users. The mean scores of the statements range from 4.37 to 4.57, with an overall mean of 4.46, which is considered very high.

The highest-rated statement is: "The accounting information generated from the implementation of PSAK 117 will affect users' decision-making processes" (4.57), indicating that respondents believe the standard will improve the quality of decisions based on accounting information. Meanwhile, the statement regarding the prohibition of offsetting gains and losses of insurance contracts has the lowest mean (4.37), yet still reflects a positive perception. This suggests that practitioners view PSAK 117 as providing more accurate, timely, and relevant information, thereby supporting more effective decision-making in insurance companies (Ramadhani & Mukarramah, 2025).

In addition to relevance, respondents also perceive that PSAK 117 will enhance the reliability of financial statements, as shown in Table 3. The mean scores for all statements range from 4.33 to 4.54, with an overall mean of 4.42, indicating very high expectations. The highest-rated statement is: "The adoption of this standard requires that all accounting information regarding amounts, timing, and uncertainties be considered and disclosed in the estimation of future cash flows" (4.54), emphasizing the importance of transparency, accuracy, and completeness in future cash flow estimates. Other highly rated statements, such as the use of the premium allocation approach for estimating residual values of contracts (4.48) and the general measurement approach (4.41), also reflect respondents' positive perceptions regarding PSAK 117's ability to generate reliable accounting information (Ramadhani & Mukarramah, 2025).

CONCLUSION

Based on the findings, it can be concluded that the implementation of PSAK 117 is expected to significantly improve the quality of financial statements in insurance companies, both in terms of relevance and reliability. Respondents believe that the standard can provide accounting information that is more accurate, complete, transparent, and timely, thereby enhancing users' decision-making processes. The highest expectations were observed in PSAK 117's ability to account for all information related to future cash flows, risks, and insurance contracts, highlighting the standard's importance in supporting data-driven decisions in insurance companies.

Based on these findings, it is recommended that insurance companies prepare and implement PSAK 117 consistently and provide training for accounting staff and management regarding its application. This will ensure that the financial statements produced are more relevant, reliable, and able to support effective decision-making.

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