



The PSAK 117 post implementation series: Data quality and management

Executive summary

The implementation of PSAK 117 in Indonesia represents a transformative shift in how insurance companies report financial performance and position. The transition, effective from 1 January 2025, aims to provide more transparency, consistency, and comparability in insurance accounting. The new standard mandates a detailed approach to measuring and reporting insurance liabilities and performance, which will lead to significant changes in financial statements and disclosures.

Post PSAK 117 implementation, companies are focusing on refining their processes and systems based on initial reporting experiences. Ongoing efforts include enhancing the quality of data, optimizing financial reporting, and adjusting to feedback from stakeholders and regulators. The successful implementation of PSAK 117 marks a significant milestone in insurance accounting, promising greater clarity and comparability in financial reporting. While challenges remain, organizations are adapting and evolving to fully leverage the benefits of the new standard.

Although changes and transformation are needed to comply with regulations, there are key areas companies can focus on to enhance end-to-end processes and achieve high-impact, beneficial outcomes for the organization:

- **Implementing robust data management systems** to collect, store, and analyze the granular data required by PSAK 117. This transformation process not only supports compliance with PSAK 117, but also enhances the quality of company data. In addition, clear data definitions and traceability, such as the PSAK 117 data lineage, can help the IT team trace the flow of data from its origin to its ultimate destination, and improve the utility of the financial information for decision-making and stakeholder communication.
- **Adjusting key performance indicators (KPIs) to incorporate PSAK 117 principles.** Companies should take this valuable information and integrate it into their KPIs in order to enhance their financial management, improve risk management, drive operational efficiency, and achieve sustainable growth.
- **Planning and integrating PSAK 117 derived KPIs** early in the business planning process is crucial. Companies can create a solid foundation for achieving strategic goals, driving performance, and ensuring sustainable growth through these KPIs. This proactive approach can help to align operational activities with long-term objectives, facilitating better decision-making and enhancing overall business resilience.
- **Updating management information reporting (MIR) packs** based on PSAK 117 for stakeholders, board members, and senior management, which includes comparisons or bridges to PSAK 104 to draw performance parallels between the old and new regimes. Moreover, establishing a comprehensive management reporting system can effectively monitor KPIs, help make data-driven decisions, and drive continuous improvement towards achieving business objectives. This monitoring can also help establish control cycle feedback.
- **Shifting the focus from mere compliance to transforming the financial reporting processes in a more holistic way.** This transformation requires us to revisit and refine our financial reporting processes to ensure that they are robust, efficient, and future-proof.

In conclusion, while compliance with PSAK 117 is non-negotiable, it should not be our sole focus. By taking this opportunity to enhance our financial reporting processes and support management in business analysis, we can position ourselves not only to meet the challenges of PSAK 117 but also to build a stronger, more resilient financial reporting framework for the future.

Release of the “PSAK 117 post implementation” series

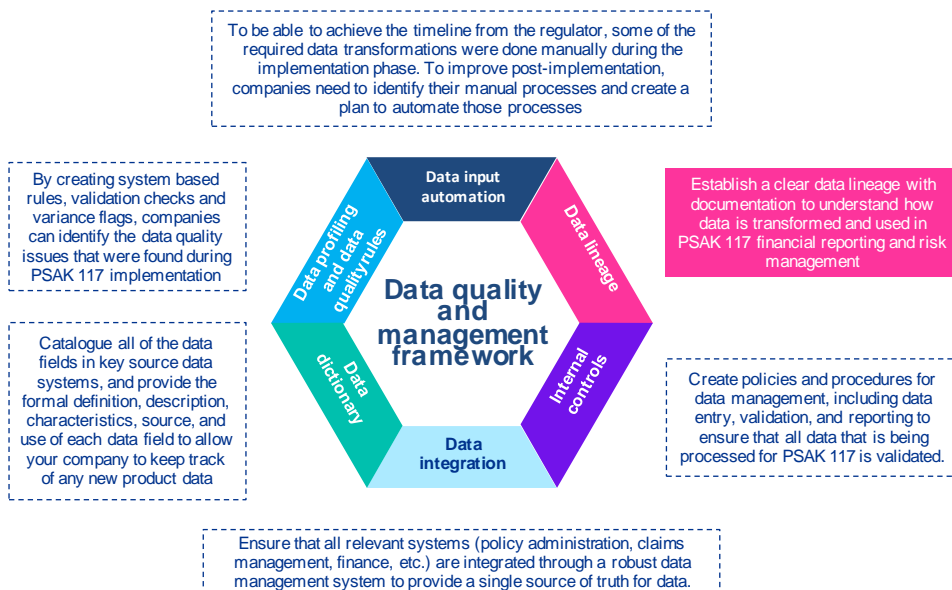
We understand that each step of the PSAK 117 post implementation timeline is very crucial in ensuring that the new standard delivers its intended benefits and is seamlessly integrated into ongoing operations. Key topic of these series will be released in order, so as to clearly convey the information to relevant stakeholders. Please follow our social media to read all of the articles in our “PSAK 117 Post Implementation” series.



PSAK 117 data quality and management

Implementing PSAK 117 presents several challenges, especially regarding data management and reporting. Some of the challenges that we faced during the PSAK 117 implementation process included semi-manual data preparation, (which required improvements in both data quality and the governance process) and the need for more granular data to fulfill the requirements of the business/management report.

Based on those challenges, post-implementation data improvement for PSAK 117 is critical for ensuring compliance and optimizing business processes. A clear data lineage is also considered essential since PSAK 117 requires multiple data transformations from multiple data sources. This is elaborated on in more detail in the data governance and quality framework section.



Data lineage in PSAK 117

PSAK 117 is a comprehensive accounting standard. For implementation, it requires a number of data transformations and aggregations. Data transformation and PSAK 117 calculations requires insurance business data with clear definitions and documentation of the data lineage, to ensure appropriate data feeding. A mistake in data identification, due to poor documentation that leads to inaccurate insurance contract grouping, is an example of why data lineage plays an important role in data aggregation.

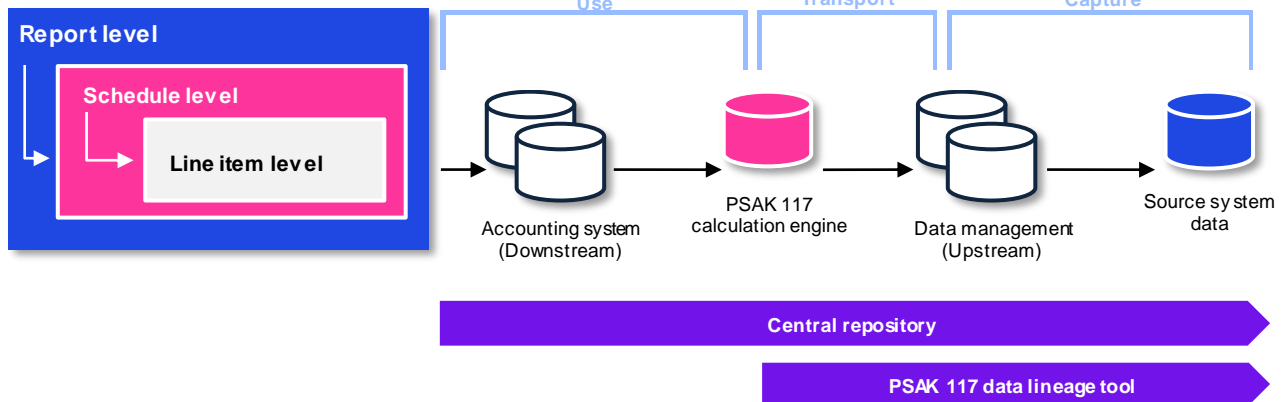
Data lineage traces the flow of data from its origin to its ultimate destination. It shows how data moves through processes and systems and how that data is transformed and aggregated along the way. Lineage is a critical component in achieving sound management and data quality.

Data lineage allows organizations to:

- Understand and trust their data
- Improve data-informed decision quality
- Reduce search times through direct access to relevant data and source elements
- Deal with changes in technology.

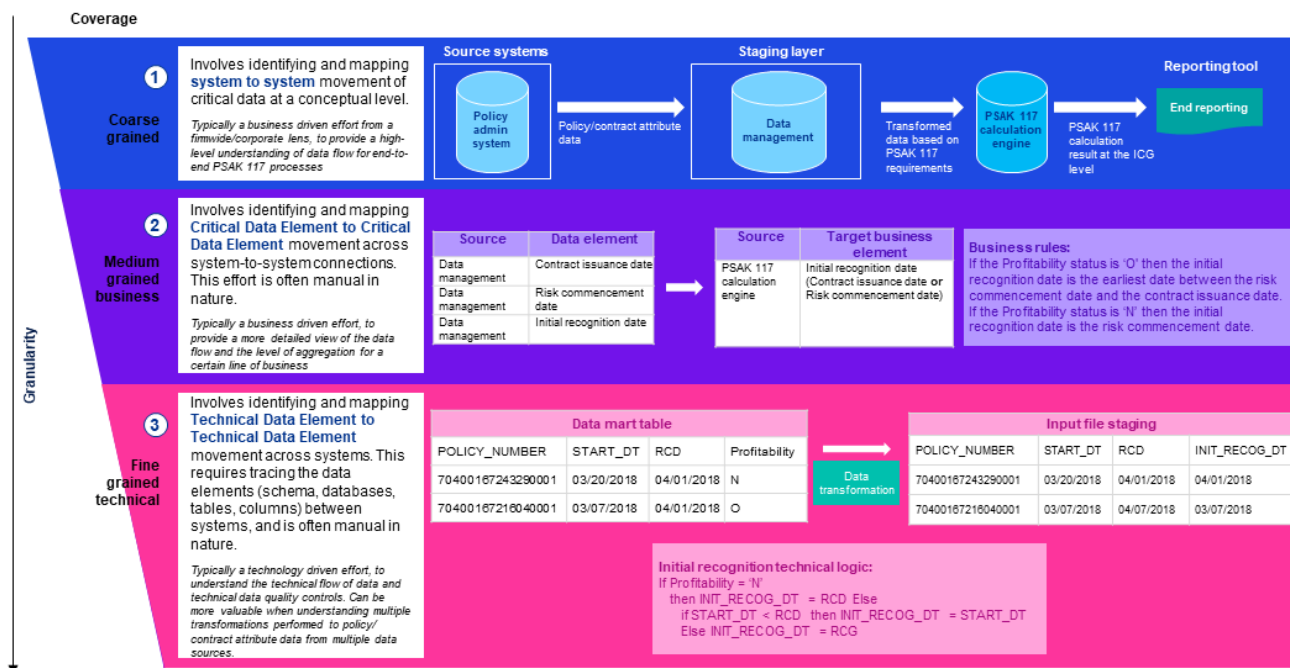
- 1 Front-to-back lineage methodology is defined
- 2 Point of origin is identified
- 3 Data transformations are defined
- 4 Proximate source/obligations are reviewed
- 5 Controls are reviewed and tested.

ILLUSTRATIVE EXAMPLE



Available approaches for data lineage

Data lineage is now viewed more as a vehicle that can drive business value, and it is typically driven through data management organizations. Data lineage can be completed at various levels of granularity, depending on the business objective.



How is lineage addressed in the context of PSAK 117?

In this context, data lineage is used as a vehicle to support the identification of controls over the end-to-end PSAK 117 regulatory reporting process, and to identify the key data sources required to populate key line items and/or attributes. The “depth” of the lineage is driven off of the materiality of the line item/attribute.

1 Report production flow

By analyzing standard PSAK 117 reports/disclosures, insurers are able to identify how each of the line items are generated and the processes involved.

- Scope of lineage:** Lineage documented for all reported line items / attributes
- Depth of lineage:** From the regulatory report back to the authoritative source.

Supporting artifacts:

- Supporting details around the controls within the process flow are documented in the **risk control matrix (RCM)**
- Additional details around the data flows (back to the authoritative source) are found in the **data dictionary**.

3 Risk control matrix (RCM)

Since PSAK 117 involves multiple data processing activities, the process owner and controls have to be clearly identified. RCM compliments report production and data origination flows by providing detailed information around the control points identified and documented in the flows. This should include:

- a description of the control
- any risk that the control is designed to mitigate
- control frequency
- an indication of manual vs. automated controls
- identification of the performer, reviewer and process owner
- identified deficiencies and/or weakness.

2 Data origination flow

PSAK 117 data transformation involves modifying existing data items or the creation of new data items. Data origination flow allows insurers to understand the movement of the modified/new data.

- Scope of lineage:** Lineage documented for **material** reported line items/attributes
- Depth of lineage:** From the authoritative data source back to the point of origin.

Supporting artifacts:

- Supporting details around controls within the process flow are documented in the **RCM**.
- Additional details around the data flows (back to point of origin) are found in the **data dictionary**.

4 Data dictionary

PSAK 117 involves multiple data sources that are processed together, which require insurers to understand detailed information about the underlying data elements related to reported line items/attributes in regulatory submissions. This includes:

- the relevant line item/attribute/schedule
- corresponding data element names and descriptions
- governance (e.g. data owner)
- the corresponding applications involved in data sourcing: the proximate source, authoritative source, point of origin, and ultimate source (if applicable) for the line item/attribute.

Benefits of a corporate data lineage focus

- **Data governance** – Data lineage not only has technical aspects, it is also about people. It provides insights into who works with the data, how the data is shared between groups of users and departments, and who owns the data and the systems it resides in.
- **Impact analysis** – Data lineage assists stakeholders in finding their way back to the root causes of data quality issues. It can also be used to study how changes in firm IT systems or business processes in which data is used affect items downstream.
- **Traceability and control** – Data lineage enables stakeholders to identify the key risks in the data cycle, and to check if the proper controls are already in place or need to be improved.
- **Improved data quality** – Data lineage is vital for data quality measurement. Since the root cause of a data quality issue is often located 'upstream', near the point of origin, data lineage helps one find the exact location more easily.

The next key steps

Post PSAK 117 implementation, several key steps are essential in ensuring the smooth operation and maximum benefit of the new standard. By focusing on the next key steps for data quality and management, companies can ensure that data quality and management are effectively aligned with PSAK 117, leading to more accurate financial reporting and better decision-making.

- **Continue the knowledge transfer** from PSAK 117 implementation team to business-as-usual (BAU) team
- **Perform post implementation review** to ensure that data system setup meets PSAK 117 standard requirement and key processes are available to control the effectiveness
- **Upgrade systems** to better support data quality and reporting requirements under PSAK 117
- **Invest in advanced data management tools and technologies** to streamline data
- **Continuously monitor and validate data quality** to ensure accuracy in financial reporting. Implement robust data management practices to support the new measurement models
- **Ensure the seamless integration of financial and actuarial data** across different systems to provide a cohesive view of financial performance and position
- **Apply data lineage** for better data governance by starting to have the proper documentation that covers all data aspects/components and processing/transformations
- **Continue to monitor any changes or enhancement related to data and systems** and make adjustments to the documentation accordingly to maintain its reliability.



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