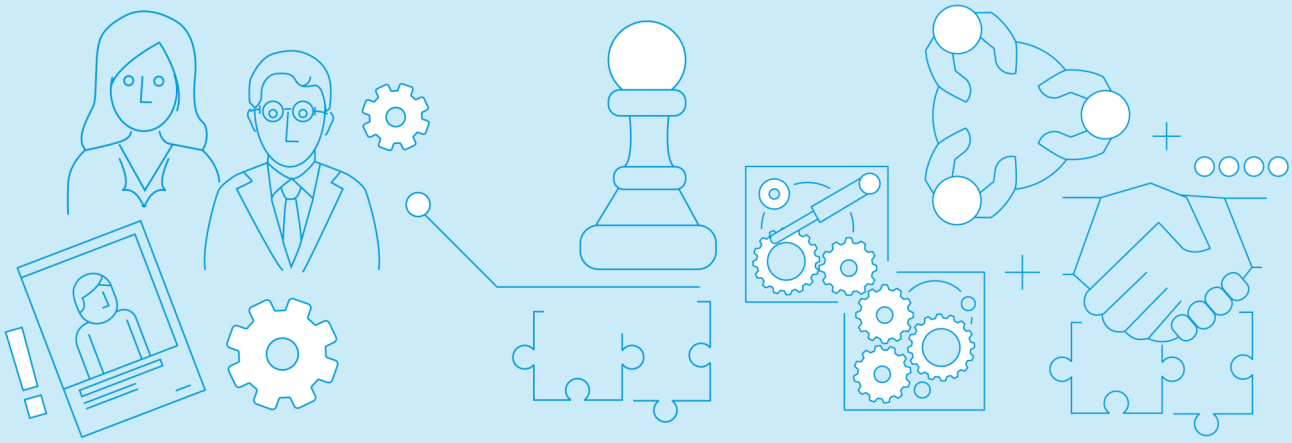
RSM Indonesia **Newsletter**



WAKE UP CALL

Bringing you news from **RSM Indonesia**

QUARTER I – 2023

Welcome to issue 64 of Wake Up Call – RSM Indonesia newsletter covering topics on audit, tax and consulting.

IN THIS ISSUE:

RSM

Applied Observability as Strategic Points of Value

RESDY BENYAMIN, *TECHNOLOGY CONSULTING PRACTICE*

Observable data is information that is visible and measurable in real time. It typically originates from one or more of an organization's earlier IT systems. When a system is observable, it is possible to infer information about its internal state from the data it makes available to the outside world. Integration, optimization, and augmentation of context-aware data from many sources are necessary for the ability to perceive phenomena.

Observability is not about forecast or prediction. It is an evidence-based source of decision making. The future is not about predicting. It is about preparing. Organizations will need to invest in the appropriate tools and processes to maximize the value of their data as data collecting and analysis become more and more important in predicting the condition of IT operations in the future.

The usage of observable data across business activities, apps, and infrastructure and operations teams in a highly choreographed and integrated manner is referred to as "applied observability". Because there is less of a delay between stakeholder activities and organizational responses, proactive business decisions can be planned.

Applied Observability is a network of organizational levels and commercial processes that use technologies to gather data that can be observed, not a single approach or specific market. It can be defined as the ability to track the state and performance of software applications over time. It is a comprehensive approach for collecting data on software systems (logs, metrics, and events from all components of a software system, including the application and its underlying infrastructure) that can then be used to gain insights into system health, observability problems, and potential improvements. Furthermore, the data is then used to generate observability charts, reports, and insights to identify and resolve application and infrastructure issues.

Observability

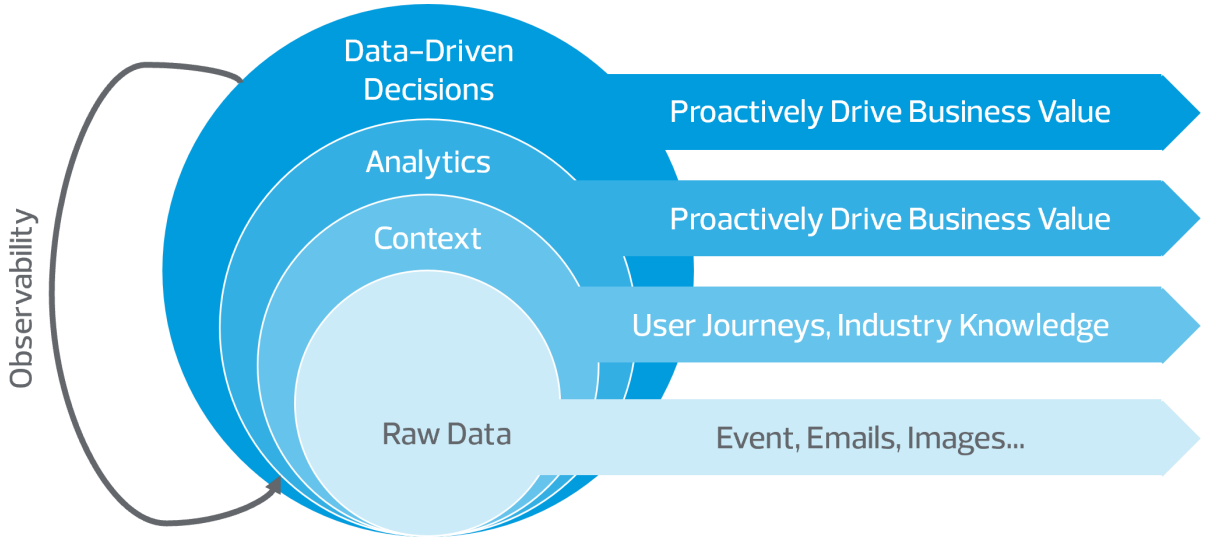
Monitored Items					
Business Transactions	Microservice Calls	User Interactions	SOA Calls	Batch Jobs	File Transfer
Types of Observability Data					
Real Time & Comprehensive Instrumentation (No Sampling)					
Business Transactions	Microservice Calls	User Interactions	SOA Calls	Batch Jobs	File Transfer
Analytics					
Business Transactions		Microservice Calls		User Interactions	
Business Benefits					
Improved Online Service Quality		Improved Online Business Performance		Improved Business and Technical Agility	

By giving companies a mechanism to proactively plan their actions, Applied Observability reduces the lead time between stakeholder activities and organizational responses by offering a comprehensive and coordinated approach to utilize observable data across many business domains.

Using advanced strategies for information analysis, business operations information analysis, and fact-finding is necessary for the integration of Applied Observability techniques into a company's data lifecycle management (DLM) methodologies. This gives decision-makers the information they need right now to make good decisions.

Applied Observability: Optimize Operations

AI analyzes data from, and the context of, prior decision making to drive faster and more accurate future decisions.



As business case, we can learn from what Tesla has done. Tesla provides its customers with auto insurance based on their observable in-vehicle driving habits. By using sensors and Autopilot software, Tesla vehicles observe and evaluate driver behavior to generate a monthly Safety Score. According to Tesla, drivers considered to be average drivers based on their Safety Score may save 20% to 40% on their premium, while drivers with the best scores may save 40% to 60%.

To set foundation for orchestrating multiple observability initiatives, organization should treat observable data as the most precious monetizable asset and focus on identifying use cases from active and passive metadata for competitive advantage. It is important to apply proactive decision making by focusing on applying observability instead of monitoring and reacting.

Our recommendation

Since resource access has become more democratized, your organization might access to vast amounts of data in the form of digital artifacts. You need to transform that information into a powerful set of capabilities and combine your organization business and IT layers of observability to extract even more value as well as develop a solid strategic plan or blueprint to follow in order to break it down into more manageable chunks.

For further information, please contact :
inquiry@rsm.id

PSAK 74 (IFRS 17) Insurance Contracts: What's New? Business Impacts Overview

RUSLI MUNIR & ANNISA SYAHRIAL *, CONSULTING PRACTICE*

PSAK 74, the adoption of the IFRS 17 Insurance Contracts, ratified on November 26, 2020, and is effective January 1, 2025. PSAK 74 Insurance Contracts applies to all types of insurance contracts (i.e., life, non-life, and reinsurer). PSAK 74 Insurance Contracts includes the relaxation of several provisions as stipulated in the Amendments to IFRS 17 Insurance Contracts. Management needs to be prepared that the standard is not only a compliance issue – it may also impact the business strategy of insurance companies.

What's new

1. Insurance contract portfolios

PSAK 74 requires entities to identify an insurance contract portfolio, which contracts subject to similar risks and managed together. Contract groups within portfolios are identified as the unit of measurement.

2. Acquisition costs

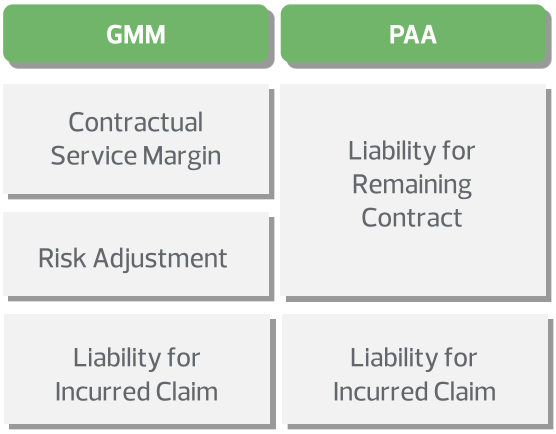
PSAK 74 requires acquisition costs to be deferred under the *General Measurement Model (GMM)* and provides an accounting policy choice of deferral or expense under the *Premium Allocation Approach (PAA)*. This accounting policy choice may have a significant impact on the profitability and capital of insurers new types of costs (for example selling costs) may need to be included in acquisition costs as defined in the new standard.

3. Claim and policy administration expenses

PSAK 74 develops the concept of claims costs as payments to the policyholder and claims handling costs. PSAK 74 also specifically disallows costs related to product development and training should also not to be included in the measurement of the liability under PSAK 74.

4. Insurance measurement models

GMM is the main measurement model of PSAK 74 and is required to be applied to measure all insurance contracts unless the criteria for application of the PAA are satisfied. The GMM and PAA accounting models may impact on the profit previously reported. The following figure illustrates the building block approach for GMM and PAA.



5. Risk adjustment

The adjustment represents the compensation an entity requires for bearing the uncertainty about the amount and timing of non-financial risk cash flows. The calculation of the risk adjustment is complex and may require new actuarial models and processes to be built.

6. Discount rate

The standard requires the application of either the top-down approach or the bottom-up approach to calculating the discount rate.

7. Reinsurance

PSAK 74 introduces new requirements to recognize gains on proportionate reinsurance held when the underlying insurance contracts are initially issued as onerous.

Presentation and Disclosure

PSAK 74 requires an extended level of disclosures. In the statement of income, insurance revenue and insurance service expense replace the concepts of written and earned premium. In the statement of financial position, groups of insurance and reinsurance contracts in an asset position are presented separately from those in a liability position. However, the company is required to disclose detailed components of the GMM and PAA liabilities in the notes to the financial statements.

Holistic Approach of PSAK 74 Implementation and Transition Approach

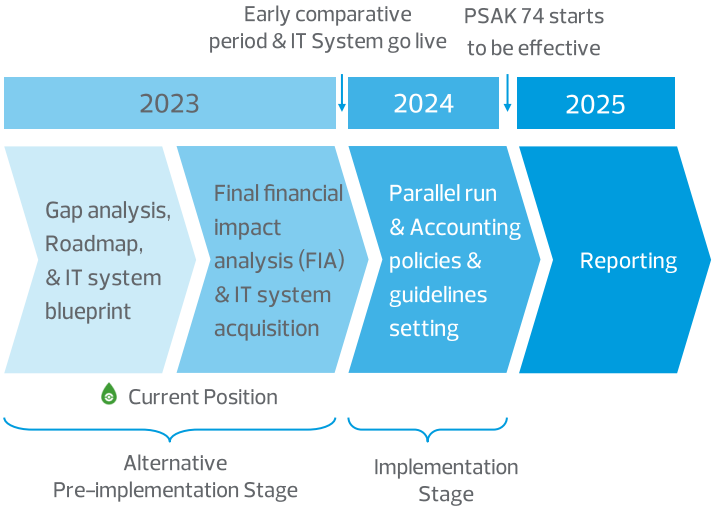
Implementation of PSAK 74 will require greater interaction between actuarial and accounting systems and functions and involve significant challenges around policies, performance management, data, people, system, processes governance, and business integration. A holistic approach to the implementation covers the different dimensions of the target operating model (TOM) of the company.

At the same time, the management needs to consider which transition approach is practicable for the company. PSAK 74 outlines three transition approaches, applicable depending on the circumstances of the insurer. The full retrospective approach requires a full restatement under PSAK 74 as if the standard has always been applied. On the other side, the modified retrospective and fair value approaches can be used where the full retrospective approach cannot be applied.

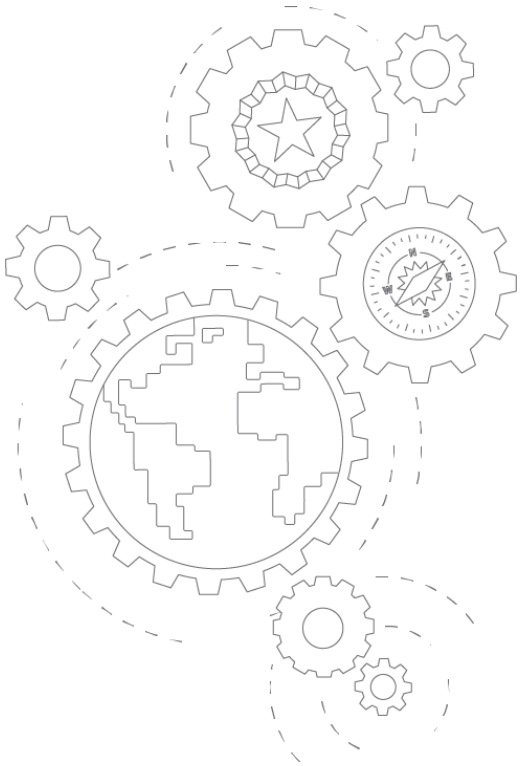
PSAK 74 Project Stages

The Indonesian Financial Accounting Standards Board (Dewan Standar Akuntansi Keuangan) of the Institute of Indonesia Chartered Accountants (Ikatan Akuntan Indonesia) recommended the ideal implementation roadmap. However, many

Indonesian's insurance companies face various constraints to conduct the roadmap. The following figure is the recommended alternative project stages for PSAK 74 implementation in Indonesia:



Adoption of PSAK 74 will require greater interaction between actuarial and accounting systems and functions and involve significant challenges around data, modeling, processes governance, and business integration.



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OUR **ACTIVITIES**

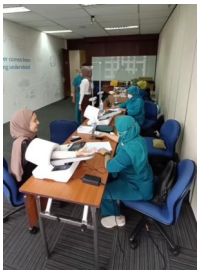
RSM Indonesia Webinar

We successfully conducted several Tax webinars during the 1st quarter of this year. The webinars were delivered by our Senior Managers and Partners. More than 100 participants attended each webinar. *See you at our next events!*

RSM Indonesia 38th Anniversary

In conjunction with RSM Indonesia's 38th anniversary, we held health talk and mini health check in our office (Jakarta & Surabaya).

This is one of our activity on supporting health awareness and well-being at workplace.



RSM Indonesia Publication: FAQs – Taxation of Benefits in Kind

The issue of Government Regulation No. 55 on 20 December 2022 ("PP-55") provides additional information regarding the taxation of Benefits in Kind (BIK).

Click **here** to read more.

INDONESIA **FACTS**

SONGKET MINANGKABAU

Songket Minangkabau is a traditional songket woven cloth originating from West Sumatra, Indonesia. Songket has become a cultural identity in the Minangkabau tradition. There are various types of Minangkabau songket motifs and philosophies, each motif passed down from generation to generation for use in the Pepatih custom. The history of the Songket Minangkabau itself comes from the Srivijaya which was then developed through the Sumatran kingdom until it finally entered the Minang realm. *Source: Wikipedia*


Photo: Wikipedia

Thank you for reading

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