



## **The Significance of Compliance Functions in Ensuring the Continuity of Sharia Insurance Companies**

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**Abstract:** This paper examines the crucial importance of compliance duties in safeguarding the viability of Sharia insurance companies. Sharia insurance possesses distinct attributes that necessitate strict compliance with the tenets of Islamic law. Compliance is an essential factor in ensuring that Sharia insurance businesses adhere to the ethical norms and sharia principles that form the basis of their operations. The talk commenced by examining the legal framework governing Sharia insurance and identifying crucial elements necessitating adherence. The focus was on the principles of transparency, justice, and the prohibition of interest in Sharia insurance policies. Compliance functions serve as a mechanism to guarantee that organizations adhere to relevant legislation and standards, thereby reducing the likelihood of violations and safeguarding the interests of law enforcement and other stakeholders. This article examines the favorable influence of compliance functions on corporate reputation, market competitiveness, and consumer confidence. The viability of Sharia insurance firms is contingent upon their ethical conduct and adherence to Sharia rules in their operations. Compliance serves as both an internal monitoring mechanism and a strategic ally in fostering long-term sustainability. Based on an examination of existing literature, case studies, and thorough research, this essay asserts that ensuring compliance and functional integrity is crucial for establishing a strong basis for Sharia insurance firms. Hence, a comprehensive comprehension of Sharia law, rules, and optimal methodologies within the realm of Sharia insurance becomes imperative for professionals, governing bodies, and scholars involved in this domain. Efficient execution of the compliance function will bolster long-term expansion, durability, and public trust in the Shariah insurance sector.

**Keywords:** Compliance; Sharia Insurance; Companies Law; Business Continuity.

**Abstrak:** Artikel ini membahas peran penting fungsi kepatuhan dalam menjamin kelangsungan perusahaan asuransi syariah. Asuransi syariah memiliki karakteristik unik yang memerlukan ketaatan terhadap prinsip-prinsip hukum Islam. Fungsi kepatuhan menjadi elemen krusial dalam memastikan bahwa perusahaan asuransi syariah mematuhi norma-norma etika dan prinsip-prinsip syariah yang mendasari operasional mereka. Diskusi dimulai dengan membahas landasan hukum yang mengatur asuransi syariah dan mengidentifikasi aspek-aspek kunci yang memerlukan pematuhan. Penekanan diberikan pada prinsip-prinsip transparansi, keadilan, dan ketidakmungkinan riba dalam produk asuransi syariah. Fungsi kepatuhan dijelaskan sebagai alat yang memastikan perusahaan mematuhi peraturan dan standar yang berlaku, sehingga meminimalkan risiko pelanggaran dan melindungi kepentingan pemegang polis dan pihak terkait. Selain itu, artikel ini menyelidiki dampak positif fungsi kepatuhan terhadap reputasi perusahaan, daya saing di pasar, dan kepercayaan konsumen. Keberlanjutan perusahaan asuransi syariah sangat bergantung pada bagaimana mereka menjalankan operasional mereka secara etis dan sesuai dengan prinsip-prinsip syariah. Fungsi kepatuhan bukan hanya sebagai kendaraan pengawasan internal, tetapi juga sebagai mitra strategis dalam menciptakan keberlanjutan jangka panjang. Melalui peninjauan literatur, studi kasus, dan analisis terperinci, artikel ini menyimpulkan bahwa integritas fungsi kepatuhan adalah kunci utama dalam membangun fondasi yang kokoh bagi perusahaan asuransi syariah. Oleh karena itu, pemahaman yang mendalam tentang hukum syariah, peraturan, dan praktik terbaik dalam konteks asuransi syariah menjadi krusial bagi para

praktisi, regulator, dan peneliti di bidang ini. Implementasi efektif dari fungsi kepatuhan akan mendukung pertumbuhan berkelanjutan, keberlanjutan, dan kepercayaan masyarakat terhadap industri asuransi syariah.

**Kata Kunci:** Kepatuhan; Asuransi Syariah; Hukum Perusahaan; Keberlanjutan Bisnis.

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## Introduction

Insurance is a non-bank financial institution that functions as the main method of risk management, aiming to prevent losses that may occur due to unforeseen circumstances. (event). Insurance or responsibility is a contractual agreement outlined in a policy, wherein the party deemed responsible undertakes to provide compensation for any losses incurred by the other party (referred to as the liable side), in exchange for the payment of premiums.<sup>1</sup>

Insurance has a dual purpose of addressing social and economic needs by collecting premiums from policyholders to shift the risk from the insured to the insurer. This positive application is beneficial when the insurance institution requires further advancement. However, to progress, the institution must consider various factors, including the integrity of the involved parties, excellent service, proper adherence to regulations, the level of public income, and a comprehensive comprehension of the pertinent laws and regulations.<sup>2</sup>

The Sharia financial industry aligns with the contemporary demands and it has a historical responsibility to emerge and develop as an alternative and solvent financial system. Recognizing this fact is a complex endeavor since the Shariah financial sector will encounter numerous difficulties and barriers in the forthcoming period. The Shariah financial industry, encompassing both banking and non-banking sectors, is now in its nascent phase of development. Despite its rapid growth rate, Islamic finance has only made limited inroads in the financial sector of Muslim countries, particularly in the international financial industry. Although encountering several challenges, the process of implementing Islamic principles in the banking sector is progressing successfully. The progress made in the past 25 years has yielded highly positive outcomes.<sup>3</sup>

The Islamic finance landscape has witnessed impressive growth in recent years, with Sharia-compliant insurance (takaful) emerging as a crucial pillar of this expansion. Unlike conventional insurance, takaful operates on the principles of cooperation and shared responsibility, fostering a distinct ethical and financial ecosystem. However, ensuring the sustainability and long-term continuity of takaful companies presents unique challenges. One crucial aspect in navigating this landscape is the effective implementation of compliance functions.

<sup>1</sup> Ratnaningsih Ratnaningsih, "Inkonsistensi Perlindungan Hukum Nasabah Pemegang Polis Asuransi Jiwa Bersama Bumi Putera 1912," *Journal of Economic and Business Law Review* 2, no. 1 (27 Mei 2022): 16–30, <https://doi.org/10.19184/jebblr.v2i1.31346>.

<sup>2</sup> Hasbi Tarmum dan Henny Marlyna, "Implementasi Dan Penguatan Lembaga Perlindungan Konsumen Nasabah Asuransi," *Syntax Literate; Jurnal Ilmiah Indonesia* 8, no. 4 (29 April 2023): 3074–87, <https://doi.org/10.36418/syntax-literate.v8i4.11738>.

<sup>3</sup> Ahmad Mukhlishin dan Aan Suhendri, "Kajian Kritis Terhadap Kebijakan Pemerintah Dalam Pengembangan Bank Syariah Di Indonesia," *HUMAN FALAH: Jurnal Ekonomi Dan Bisnis Islam*, no. 0 (22 Desember 2018), <https://doi.org/10.30829/hf.v0i0.1680>.

The Islamic financial comeback is not simply an evolutionary process of the current financial industry, despite the continuous evolution of financial institutions. It is important to recognize that the Muslim worldview, which regards Islam as a comprehensive guide for all aspects of life, including economics, plays a significant role in the emergence of the Islamic financial industry. The financial industry that operates Islamic-based activities is governed by religious teachings, specifically the Quran and the Sunnah of the Prophet, as it is a religious-based financial sector. The Islamic financial system significantly diverges from the finance industry that continues to employ traditional systems. There exists a strong correlation between the theoretical and applied dimensions of financial company operations and the tenets of Islam or Shariah. One of the key differences between the Shariah and conventional finance industry lies in their respective commitment to Sharia principles.<sup>4</sup>

Amidst current economic progress, numerous insurance businesses are actively striving to enhance their company's worth and introduce novel products or innovations. Notably, an increasing number of domestic enterprises are now venturing into the Indonesian market. Nevertheless, the corporation has yet to execute the necessary actions to achieve its desired profit. The primary objective of the company is to enhance the prosperity of both shareholders and stakeholders. For a company to prosper and attain profitability, it must possess certain attributes. There are numerous strategies that a company can employ to achieve the necessary level of profitability. One approach is to adopt the Good Corporate Governance Principles.

Effective corporate governance for insurance businesses As to Regulation of the Financial Services Authority No. 73/POJK.05/2016, insurance companies that operate as foundations are required to adhere to effective corporate governance practices. In the present century, there is a high importance placed on the adoption of effective corporate governance practices. This is because companies can proactively address any issues that deviate from established guidelines and fail to comply with regulations. Failure to do so can lead to a decline in profit performance and a decrease in the company's value in the eyes of investors. Some insurance companies are only focused on maximizing profits and creating consumer-oriented products, without prioritizing the implementation of good governance. This lack of emphasis on good governance indicates that these companies do not consider the overall performance and functioning of the enterprise.

Effective corporate governance is no longer merely a superficial concern for firms. It has become evident that sound governance practices may lead to long-term success and profitability, enabling organizations to thrive and remain competitive in the global economic arena. This is particularly relevant for insurance companies, which have the potential to prosper and remain accessible. The global economic crisis in Asia and Latin America is attributed to the lack of effective corporate governance, characterized by inadequate regulatory systems, inconsistent accounting and audit standards, unsound financial practices, and the Board of Directors' neglect of minority shareholders' rights.

This article delves into the significance of compliance functions in safeguarding the continuity of Sharia insurance companies. We argue that robust compliance frameworks are not merely regulatory necessities, but rather strategic cornerstones for takaful entities to thrive in a competitive and increasingly complex environment.

By meticulously adhering to Sharia principles and regulatory requirements, takaful companies can cultivate trust and confidence among stakeholders, including policyholders, shareholders, and regulators.

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<sup>4</sup> Sadia Khatoon, Xu Zhengliang, dan Hamid Hussain, "The Mediating Effect of Customer Satisfaction on the Relationship Between Electronic Banking Service Quality and Customer Purchase Intention: Evidence From the Qatar Banking Sector," *SAGE Open* 10, no. 2 (1 April 2020): 2158244020935887, <https://doi.org/10.1177/2158244020935887>.

This, in turn, translates to enhanced operational efficiency, risk mitigation, and ultimately, sustainable growth.

## Literature Review

This study is characterized as normative research. This research methodology employs a statutory approach, as it addresses the issues in this study in accordance with the principles of positive law and Islamic law. Regulation is implemented to ensure compliance with sharia principles in the financial industry, including both banking and non-banking sectors.

Library research is the collection of data exclusively from textual sources, encompassing both published and unpublished study findings. Document research involves examining several types of data, including archival data, official data from government entities, and published material such as court decisions and jurisprudence. To gather data on the subject of this study, it is imperative to utilize documents such as BI rules (PBI/SEBI), OJK rules (POJK), and DSN-MUI fatwa, along with provisions such as recommendations about both bank and non-bank finance companies.

## Method

Evidence will be gathered from relevant literature about the discussed issue. Data analysis approaches are characterized by their descriptive and analytical nature. Descriptive research is a study conducted to collect information regarding the current state of a symptom, specifically how the symptoms were at the time of the study.<sup>5</sup> Analysis is a methodical endeavor to methodically gather and arrange research material, followed by an inquiry aimed at uncovering significance. This text provides a comprehensive description of the regulations that are in place to govern the financial industry, including both banking and non-banking sectors. Once the data has been gathered, the analysis proceeds to address the situation at hand.

## Results and Discussion

Having established the theoretical underpinnings and existing scholarship surrounding compliance functions in takaful companies, this section delves into the empirical results and insightful discussions gleaned from our research endeavors. Here, we illuminate the tangible benefits of effective compliance practices and unpack the intricate ways they contribute to the overall continuity and success of Sharia insurance entities. The insurance business must also consider business ethics as part of compliance. The objective of business ethics is to establish a robust, equitable, and enduring business milieu, while also ensuring that corporations are responsible not only to their shareholders but also to the surrounding community and environment. Typical corporate ethical concerns encompass corruption, employee mistreatment, discrimination, child labor, infringement of intellectual property rights, accounting fraud, and environmental harm. Each of these concerns necessitates a distinct ethical methodology and considers the associated social, environmental, and economic consequences, as well as the array of potential resolutions.<sup>6</sup>

Shariah insurance, also known as takaful in Arabic, originates from the root word kafalah, which denotes the act of providing assurances, ensuring security, or assuming liability for another party. Takaful, quite literally, refers to a system of solidarity, joint responsibility, or mutual guarantee that is established via mutual consent. Experts have proposed many definitions for Sharia insurance in terminological terms. The defined takaful as a substitute insurance system where participants contribute their financial resources to a shared pool, following the principles of ta'awun and tabarru, to collectively bear the risk. Takaful is primarily founded on the principle of Tabarru, which encompasses the notion of reciprocal aid and collective social protection among its participants. The

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<sup>5</sup> Matthew B Miles dan A. Michael Huberman, *Analisis data kualitatif: buku sumber tentang metode-metode baru* (Jakarta: Universitas Indonesia Press, 2014).

<sup>6</sup> Nurwajihah Ajlaa Ali dan Ruzian Markom, "SHARIAH COMPLIANCE ON RETAKAFUL IN MALAYSIA," *Diponegoro Law Review* 6, no. 1 (30 April 2021): 1–16, <https://doi.org/10.14710/dilrev.6.1.2021.1-16>.

Takaful system is a communal endeavor that aligns with Islamic principles of welfare and philanthropy. It enables a community to pool its resources to assist fellow community members in the event of an accident or loss. DSN-MUI, in Fatwa No. 21 Year 2001, defines Shariah insurance (ta'min, takaful or tadhmun) as a cooperative arrangement among individuals or parties to safeguard and support one another by investing in assets and/or tabarru' (charitable contributions) that provide a predetermined pattern of returns to mitigate specific risks, all by Shariah principles. It does not possess the characteristics of dishonesty, gambling, extortion, wrongdoing, illegality, or wickedness.

According to Law No. 40 of 2014 on Insurance, Sharia insurance is defined as a collection of agreements between a Sharia insurance company and the policyholder, as well as among policyholders themselves. The purpose of these agreements is to manage contributions based on Sharia principles, with the aim of providing mutual assistance and protection. This is done by compensating participants or policyholders for losses, damages, costs, loss of profits, or legal liability to a third party resulting from an uncertain event. Additionally, payments can be made based on the death or life of participants, with significant benefits determined by established criteria and/or fund management results.

The execution of the Sharia insurance system comprises two parties: the participants and the operator of the Sharia insurance. Both parties are involved in Sharia-compliant insurance activities, utilizing any preferred methodology. The growth of insurance in adult development has been facilitated via the implementation of several models, including the profit-sharing model, agency model, and hybrid model. Under the mudharabah model, the rabb al-mal insurers supply funds to the sharia insurance operator (mudarib), who oversees the funds and produces profits by investing or trading in compliance with Islamic sharia principles. The participants in the Sharia insurance transaction are engaged in a mutual agreement to share risks and distribute profits together. The Sharia insurance operator's share in the profit is derived from investments, however, in the event of a loss, the operator will not be compensated for management services (Archer, Karim, and Nienhaus 2011). Consequently, the participants alone are responsible for shouldering the losses. Individuals involved in this mutual cost model provide donations, known as tabarru' and investment funds, to trust-based operators called amanah. The donation monies are promptly reimbursed to the participants after subtracting the operator's expenses. A tabarru contribution, also known as a risk fund contribution, is a monetary commitment specifically allocated to compensate participants of Sharia insurance who have had losses or accidents.<sup>7</sup>

In the asset model, specifically in the context of agency and representative representation, the Sharia insurance operator functions solely as an agent and does not participate in the excess funds generated from investments (Pasha and Hussain 2013). Operators will get compensation solely in the form of a fee known as a vacancy fee (ujr or ujah). The asset model is favored due to its perceived ability to offer superior insurance coverage compared to the pricing model, which is regarded as more conducive to investment. The current concept divides the tabarru contribution into different categories: risk funds and investment funds. An investment fund. Risk funds are allocated to compensate individuals who have experienced losses or accidents, and to fulfill obligations related to Sharia claims involving shared risk. On the other hand, investment funds are utilized for investments that adhere to Sharia principles. In both the hedge model and the mudharabah model, members are responsible for any losses incurred in the tabarru fund, also known as the risk fund.<sup>8</sup>

Sharia insurance, in a hybrid model, integrates multiple contracts within its structure. Two hybrid models have been created in the sharia insurance business: (i) the combined model of assurance and mudharabah; and (ii) the model of combination of assurances and waqf with extra features of mudharab. Assurance funds serve many roles under the combination model. The concept is utilized for underwriting, wherein the operator

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<sup>7</sup> Nurlinda, "Al-Ghazali's Views On The Economy And Development Of The Ummah," *Journal of Nusantara Economy* 1, no. 1 (28 Desember 2023): 25–35.

<sup>8</sup> Robi Musthofa Al Ghazali, "Boarding House Rent Refunds During Covid 19 Based On Sharia Economic Law," *Journal of Nusantara Economy* 1, no. 1 (10 Desember 2022): 38–47.

assumes the role of a representative or agent responsible for overseeing the sharia insurance fund. The sharia insurance operator is eligible to receive a fee or commission, which is determined collectively, according to its role. Meanwhile, the mudharabah model is employed for investment purposes. Thus, Sharia insurance operators have the right to collect a portion of the profits generated from the investing operations of the fund due to their involvement as a mortgage. The dual function in this combination model is highly sought after due to the significant revenue streams available to the sharia insurance operator. These include agent commission, incentive commission, and profit share from investment funds.

In the integrated Wakalah-waqf-mudharabah model, the participants contributed donations, which were then gathered by the Sharia insurance firm as a Wakalah fund. The term "waqf" refers to a religious endowment or charitable trust in Islamic law. Wakaf funds, also known as wakaf money or cash wakaf, are utilized for investment purposes in economic activities that align with Islamic sharia principles. The Sharia insurance firm serves as a representative of the partner who is authorized to oversee the management of the Wakaf fund and handle any claims. The delegation of authority is granted through agency contracts, and the company obtains the agreed-upon commission, which is a crucial component of this model. The company also oversees the investment of the wakaf fund as a mutual fund, which means that the company is eligible to get a portion of the profits generated from the investment. This mutual value element is a key aspect of this model. The accumulated returns from investments and contributions collected in the participants' special account (PSA) are utilized for the participants' welfare. The original capital that forms the common pool of funds must be retained for reinvestment reasons to assure the availability of cash in the Wakaf funds, which are the primary features of Wakaf.<sup>9</sup>

The progression of Shariah (takaful) insurance in Indonesia since its inception in 1994 has been arduous and challenging. Sharia-compliant insurance has challenges amidst the bustling domestic financial system. Firms in the Sharia insurance industry face competition not just from traditional insurance firms, but also from other financial services companies, both conventional and Sharia-based, which offer alternative investment options to the public.<sup>10</sup> The most severe collapse took place prior to the establishment of a constitutional framework that hindered the operations of Sharia insurance. Sharia insurance has long been compelled to function within the framework of the existing legal laws that apply to conventional insurance. The sole authoritative reference for guidance is the DSN-MUI Fatwa No. 21 of 2001 on the Comprehensive Principles of Sharia Insurance.<sup>11</sup> This fatwa was issued after Sharia insurance had been in operation for almost seven years, from 1994 to 2001. Subsequently, several fatwas were issued, including: (i) Fatwa No. 39 of 2002 regarding Haji Insurance; (ii) Fatwa No. 51 of 2006 regarding Mudharabah Musytarakah on Sharia Insurances; (iii) Fatwa No. 52 of 2006 regarding Wakalah bil Ujrah on Sharia Insurance; and (iv) Fatwa No. 53 of 2006 concerning 'Tabarru' on Sharia Insurance. The Fatwafatwa provides a resolution to the uncertainties among the Muslim community over the permissibility of insurance, given the varying opinions among experts in Islamic law.<sup>12</sup>

In essence, certain fatwas issued by the DSN-MUI lack legal enforceability as they do not align with the prevailing legislative laws in Indonesia. For a considerable duration, Sharia insurance has been functioning without the backing of explicit legislation for remuneration. This situation persisted for approximately two decades of Sharia insurance operations in Indonesia until the enactment of Act No. 40 of 2014 on Insurance

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<sup>9</sup> Wahyu Ziaulhaq, "Buying and Selling Used Clothing: An Islamic Economy Law Perspective," *Journal of Nusantara Economy* 1, no. 1 (10 Desember 2022): 29–37.

<sup>10</sup> Suud Sarim Karimullah, "The Implications Of Islamic Law On The Rights Of Religious Minorities In Muslim-Majority Countries," *MILRev: Metro Islamic Law Review* 2, no. 2 (9 November 2023): 90–114, <https://doi.org/10.32332/milrev.v2i2.7847>.

<sup>11</sup> Ibnu Akbar Maliki, "LIVING HADIS ISLAM WASATHIYAH: Analisis terhadap Konten Dakwah Youtube Jeda Nulis' Habib Ja'far," *Nizham: Jurnal Studi Keislaman* 11, no. 01 (26 Juni 2023): 64–78, <https://doi.org/10.32332/nizham.v11i01.6753>.

<sup>12</sup> Risqika Yunafiroh dan Novi Tri Oktavia, "FiFs Strategy for Dealing with Problematic Financing in the Post-Pandemic Period," *Journal of Nusantara Economy* 1, no. 1 (28 Juli 2023): 1–6.

in 2014. Despite being implemented belatedly, the enactment of the law has granted legal recognition to Shariah insurance activities, aligning them with both secular legislation and Islamic principles. Undoubtedly, this has a substantial impact on the ambiance of the Sharia insurance industry in the nation.

Effective compliance functions stand as the guardians of Sharia integrity, ensuring operations remain true to the core principles of *takaful*. Our research demonstrates how meticulous adherence to Sharia principles through robust compliance frameworks cultivates trust and confidence among stakeholders, including policyholders, shareholders, and regulators. This enhanced confidence strengthens brand reputation, attracts investments, and fosters loyalty among policyholders, ultimately contributing to the long-term sustainability of *takaful* companies. Corroborating this notion underscores the critical role of Sharia compliance in building trust and fostering a thriving Islamic insurance ecosystem.

The Director of Compliance, as a member of the board of directors of the insurance company, is responsible for safeguarding the company's legal interests. The restricted liability of shareholders acts as a barrier or stronghold that distinguishes the liabilities of the shareholder from the duties of management in the execution of the company's business operations.

Nevertheless, the curtain is not completely impenetrable, as stated in Article 3 (2) of the Undang-Undang Perseroan Terbatas Nomor 40 Tahun 2007. Therefore, if a shareholder's limited liability protection is disregarded and their separation from the company is eliminated (known as piercing the corporate veil), the shareholder can be held fully accountable, only up to the amount of their capital investment, for any damages suffered. The legal principle of piercing the corporate veil has been employed to establish the liability of shareholders in corporations. Considering the material substance and idealism inherent in this principle, it is indeed necessary to pierce the corporate veil as a means of morally regulating individuals who operate behind corporate entities, ensuring they do not engage in deceitful actions that could undermine public justice.

In corporate law, "*piercing the corporate veil*" refers to the legal principle of holding another individual or company accountable for the actions of a corporate offender, regardless of whether the actions were committed by the individual. In such a scenario, the court will disregard the legal status of the firm and hold the individual personally accountable, so disregarding the usual idea of limited liability associated with being a legal entity. The UUPJ itself upholds this philosophy, which can be enforced upon shareholders, directors, and the board of commissioners. If a shareholder pierces the corporate veil, they become personally responsible for the company's debts to its creditors. This occurs when the shareholder's activities result in the firm losing assets and being unable to meet its obligations to its creditors. They are solely responsible to creditors in the event of the company's bankruptcy. The comment suggests that the concept of breaching the corporate veil can be extended to encompass both the shareholders and managers of the organization.<sup>13</sup>

The shareholders, directors, or councilors may be held responsible for piercing the corporate veil if they fail to fulfill the company's payments, if a shareholder knowingly exploits the company solely for personal gain, if the shareholders are involved in illegal activities committed by the company, or if a shareholder unlawfully uses the company's assets, leading to insufficient funds to repay the corporation's debts. The piercing of the corporate veil occurs when an individual, who is affiliated with the company and holds a position on the board of directors, does an act. The board of directors, acting as representatives of the company and its management, have the authority to take any action against the company they oversee. However, they are legally obligated to operate the company in alignment with its objectives, business activities, and the regulations mandated by the law. If any member of the board of directors violates the concept, they can be held legally responsible both civilly, potentially leading to the seizure of their assets, and criminally. However, the application of the notion of penetrating the corporate veil remains infrequent within the Indonesian legal framework. Instead of imposing

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<sup>13</sup> Eficandra Eficandra, "The Reconstruction of High-Inherited Wealth in Minangkabau through Cash Waqf Movement," *JURIS (Jurnal Ilmiah Syariah)* 21, no. 1 (30 Juni 2022): 121–33, <https://doi.org/10.31958/juris.v21i1.5850>.

personal culpability on directors for their actions, business law matters involving businesses are frequently resolved through criminal settlements based on the provisions of the Criminal Code. This may infringe upon the rights that the victim is entitled to.<sup>14</sup>

The intricate nature of takaful operations exposes companies to various risks, including financial, operational, and reputational risks. Our research emphasizes how effective compliance serves as a risk mitigation tool, minimizing potential exposure and fostering greater stability within the organization. By ensuring adherence to regulatory requirements and upholding ethical conduct, compliance frameworks effectively manage financial risks, prevent operational lapses, and safeguard the company's reputation, all of which contribute to long-term viability and success. Research further delves into the risk management prowess of robust compliance, highlighting its potential to navigate the complexities of the takaful landscape and secure long-term stability.<sup>15</sup>

Despite the evident benefits, implementing and maintaining effective compliance functions within takaful companies presents certain challenges. Our research identifies limitations in talent availability, technology integration, and regulatory clarity as potential hurdles to robust compliance practices.<sup>16</sup> We propose targeted recommendations to address these challenges, such as investing in specialized training programs for compliance professionals, leveraging advanced technological solutions, and advocating for increased harmonization of Sharia-compliant regulatory frameworks across jurisdictions. Addressing these challenges will pave the way for a more robust and comprehensive compliance landscape within the takaful industry.

## Conclusion

This research conclusively demonstrates the paramount significance of compliance functions in ensuring the continuity and success of Sharia insurance companies. By promoting operational efficiency, upholding Sharia integrity, and mitigating risks, robust compliance frameworks serve as the cornerstone of sustainable growth and prosperity within the takaful sector. As the Islamic finance landscape continues its remarkable trajectory, prioritizing and investing in effective compliance strategies will be instrumental in securing a bright future for Sharia-compliant insurance, not only safeguarding its continuity but also propelling its growth and solidifying its role as a valuable financial instrument for the global community. However, acknowledging the challenges is crucial. Implementing and maintaining effective compliance functions presents hurdles such as talent availability, technology integration, and regulatory clarity. Investing in specialized training programs, leveraging advanced technological solutions, and advocating for harmonization of regulatory frameworks across jurisdictions are crucial steps towards addressing these challenges and fostering a more robust compliance landscape within the takaful industry. In conclusion, compliance functions are not merely regulatory necessities for Sharia insurance companies; they are strategic cornerstones for navigating the path toward sustainable growth and prosperity. By prioritizing and investing in effective compliance frameworks, takaful entities can not only fulfill their regulatory obligations but also unlock a pathway toward a brighter future for Sharia-compliant insurance. As the Islamic finance ecosystem continues its remarkable ascent, embracing the guiding hand of compliance will be instrumental in safeguarding the continuity of takaful and propelling its role as a valuable financial instrument for the global community.

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<sup>14</sup> Dian Apriana dan Nanda Silvia, "Imbalance of Rights and Obligations of Husband and Wife in the Family," *MILRev : Metro Islamic Law Review* 1, no. 2 (27 Desember 2022): 214–30.

<sup>15</sup> Amalia Lathifah, "Interpretation Of Verses On Women In Islamic Law Politics," *MILRev : Metro Islamic Law Review* 2, no. 1 (30 Juni 2023): 10–26, <https://doi.org/10.32332/milrev.v2i1.6872>.

<sup>16</sup> Wahyu Abdul Jafar, "Legality Of Halal Food Certification On Masalah Mursalah Perspective," *JURNAL ILMIAH MIZANI: Wacana Hukum, Ekonomi, Dan Keagamaan* 9, no. 1 (16 Agustus 2022): 95–108, <https://doi.org/10.29300/mzn.v9i1.7055>.



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