

Comparative Analysis of Regulation and Fatwa on Islamic Insurance in Indonesia: A Perspective of DSN-MUI, OJK, and AAOIFI

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ABSTRACT

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Islamic insurance (takaful) has developed as an important component of Indonesia's Islamic financial industry, operating under Sharia principles that prohibit riba (interest), gharar (excessive uncertainty), and maisir (gambling). The governance of Islamic insurance in Indonesia involves multiple institutions with different authorities and orientations, namely the National Sharia Council of the Indonesian Ulama Council (DSN-MUI), the Financial Services Authority (OJK), and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). This study aims to analyze and compare the regulatory and fatwa frameworks issued by these three institutions in order to identify similarities, differences, and their implications for Islamic insurance practices in Indonesia. This research employs a qualitative descriptive approach using library research and document analysis methods. Primary data consist of DSN-MUI fatwas, OJK regulations on Islamic insurance operations, and AAOIFI Sharia and accounting standards. Secondary sources include academic literature and official reports relevant to Islamic insurance regulation. The analysis focuses on fundamental Sharia principles, operational structures, governance mechanisms, and financial reporting standards. The findings indicate that DSN-MUI, OJK, and AAOIFI share common foundational Sharia principles but differ in institutional orientation and regulatory scope. DSN-MUI emphasizes theological legitimacy and Sharia compliance, OJK concentrates on operational regulation and financial stability, and AAOIFI provides comprehensive international standards for governance and accounting. The study concludes that while Indonesia's Islamic insurance framework demonstrates strong normative consistency, greater regulatory harmonization and institutional coordination are necessary to enhance transparency, legal certainty, and global competitiveness.



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Introduction

Islamic insurance, widely known as *takaful*, has emerged as a significant component of the global Islamic financial system. Rooted in the principles of mutual cooperation (*ta'awun*), solidarity (*tabarru'*), justice (*adl*), and shared responsibility, takaful represents an alternative

risk management mechanism that aligns financial transactions with Islamic legal and ethical norms. Unlike conventional insurance, which is often criticized for incorporating elements of *riba* (interest), *gharar* (excessive uncertainty), and *maisir* (gambling), Islamic insurance is structured around risk-sharing rather than risk-transfer. Participants contribute to a collective pool of funds intended to assist members who experience financial loss, thereby embodying the Islamic value of social solidarity.

The development of Islamic insurance in Indonesia cannot be separated from the broader expansion of Islamic finance within the country. Indonesia, as the world's largest Muslim-majority nation, possesses significant potential for the growth of Sharia-compliant financial services. Since the establishment of Islamic banking institutions in the early 1990s, Islamic financial products have diversified into areas such as Islamic capital markets, microfinance, and insurance. The formal recognition of Islamic insurance was reinforced through religious and legal frameworks, particularly after the issuance of fatwas by the National Sharia Council of the Indonesian Ulama Council (DSN-MUI), which declared Islamic insurance permissible under certain conditions. Subsequently, regulatory oversight was institutionalized under the Financial Services Authority (Otoritas Jasa Keuangan – OJK), which supervises the financial services sector, including Sharia-based insurance entities.

Despite its steady growth, the Islamic insurance industry faces complex regulatory challenges. These challenges arise from the need to balance religious compliance, financial prudence, market competitiveness, and international standardization. The governance of Islamic insurance in Indonesia involves at least three significant authorities: DSN-MUI, OJK, and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Each institution operates within a different normative and functional framework. DSN-MUI issues Sharia fatwas grounded in Islamic jurisprudence. OJK enacts legally binding regulations focusing on financial stability, risk management, and consumer protection. Meanwhile, AAOIFI formulates internationally recognized standards for Sharia governance, accounting, and auditing in Islamic financial institutions.

The coexistence of these regulatory frameworks creates both opportunities and tensions. On one hand, multiple regulatory authorities enhance oversight and strengthen Sharia legitimacy. On the other hand, differences in interpretative approaches and implementation standards may lead to inconsistencies. For example, DSN-MUI fatwas emphasize theological conformity and often adopt a conservative stance to preserve Sharia integrity. OJK regulations, while incorporating Sharia compliance requirements, prioritize solvency, transparency, and prudential supervision. AAOIFI standards, designed for global applicability, provide comprehensive technical guidance but may not always align perfectly with domestic regulatory practices or local legal contexts. These divergences raise important questions regarding harmonization and coherence within Indonesia's Islamic insurance framework.

From a theoretical perspective, Islamic insurance operates at the intersection of religious doctrine and modern financial regulation. Islamic jurisprudence (*fiqh muamalah*) provides foundational principles that govern commercial transactions, including prohibitions against unjust enrichment and speculative risk. However, translating these principles into practical financial instruments requires regulatory adaptation. The challenge lies in ensuring that takaful

operations remain faithful to Sharia objectives (*maqasid al-shariah*) while meeting contemporary standards of financial governance. In this regard, regulation serves not merely as a legal mechanism but as a bridge between normative religious teachings and functional economic realities.

In Indonesia, the legal foundation for insurance activities is provided by national legislation, including the Insurance Law No. 40 of 2014, which recognizes Islamic insurance as a distinct category within the financial system. OJK subsequently issued specific implementing regulations to govern operational aspects, including capital requirements, licensing procedures, reporting standards, and corporate governance obligations. However, these regulations do not operate independently of Sharia authority. Islamic insurance products must receive approval from the Sharia Supervisory Board (Dewan Pengawas Syariah – DPS), whose legitimacy is derived from DSN-MUI. This dual-layer governance system reflects Indonesia's hybrid model, where religious authority and state regulation coexist.

Internationally, AAOIFI has played a critical role in standardizing Islamic financial practices. Established in Bahrain, AAOIFI develops Sharia, accounting, auditing, ethics, and governance standards adopted in several jurisdictions. Its standards on *takaful* provide detailed guidance regarding fund segregation, surplus distribution, underwriting practices, and investment management. Although Indonesia does not formally adopt AAOIFI standards as binding law, many aspects have influenced domestic accounting standards, particularly through the Sharia Financial Accounting Standards (PSAK Syariah). Consequently, AAOIFI represents an important comparative benchmark for evaluating Indonesia's regulatory alignment with global practices.

The necessity of comparative analysis among DSN-MUI, OJK, and AAOIFI becomes increasingly relevant in the context of globalization. As Islamic financial markets integrate internationally, cross-border transactions and investment flows demand regulatory consistency. Divergent interpretations may hinder interoperability and reduce investor confidence. Furthermore, regulatory fragmentation can create operational uncertainty for insurance operators attempting to navigate multiple compliance requirements. Harmonization does not imply uniformity, but rather coordination that respects institutional roles while ensuring coherence.

Previous studies have examined Sharia compliance and regulatory development in Islamic insurance; however, most focus on single institutional perspectives. Limited research comprehensively compares domestic religious authority (DSN-MUI), national regulatory oversight (OJK), and international standard-setting (AAOIFI) within a unified analytical framework. This study seeks to fill that gap by systematically examining similarities and differences across these institutions, particularly concerning fundamental Sharia principles, operational structures, governance mechanisms, and financial reporting standards.

Moreover, the comparative approach contributes to policy discourse. Indonesia aspires to become a global hub for Islamic finance. Achieving this objective requires regulatory sophistication and international credibility. Identifying areas of convergence and divergence among DSN-MUI, OJK, and AAOIFI enables policymakers to assess whether current frameworks sufficiently support sustainable industry growth. Harmonization may enhance

transparency, improve investor confidence, and strengthen the competitiveness of Indonesian takaful operators in regional and global markets.

Another dimension of importance concerns consumer trust. Islamic insurance customers often prioritize religious compliance as a decisive factor in selecting financial products. Clear and consistent regulatory frameworks reinforce public confidence. Conversely, perceived inconsistencies between fatwa and regulation may create doubt regarding product legitimacy. Therefore, understanding the interplay between religious rulings and state regulation is essential not only for academic inquiry but also for practical industry development.

This research is guided by several central questions: How do DSN-MUI, OJK, and AAOIFI conceptualize Islamic insurance? What similarities and differences characterize their regulatory frameworks? What implications do these differences have for industry practice in Indonesia? And how can regulatory harmonization be improved to support long-term development?

By addressing these questions, this study aims to provide a structured comparative analysis that clarifies institutional roles and identifies pathways for regulatory integration. The findings are expected to contribute to academic literature on Islamic financial governance, as well as to policy formulation within Indonesia's Sharia financial ecosystem.

In conclusion, the regulation of Islamic insurance in Indonesia represents a dynamic interplay between religious doctrine, national supervision, and international standardization. The presence of DSN-MUI, OJK, and AAOIFI reflects a multi-layered governance system that seeks to reconcile theological authenticity with economic functionality. While the foundational principles remain consistent—namely the prohibition of *riba*, *gharar*, and *maisir*, and the promotion of mutual assistance—the operationalization of these principles varies across institutions. A systematic comparative analysis is therefore necessary to evaluate coherence, identify gaps, and propose harmonization strategies. Through such examination, Islamic insurance in Indonesia can continue evolving as a robust, credible, and globally competitive sector within the broader Islamic financial industry.

Method

This study employs a qualitative descriptive approach to examine the regulatory and fatwa frameworks governing Islamic insurance in Indonesia. The research focuses on analyzing and describing the content of official documents issued by three main institutions: the National Sharia Council of the Indonesian Ulama Council (DSN-MUI), the Financial Services Authority (OJK), and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

The data used in this research consist of primary and secondary sources. Primary data include DSN-MUI fatwas related to Islamic insurance, OJK regulations on the implementation of Sharia insurance business activities, and AAOIFI Sharia and accounting standards concerning takaful. Secondary data are obtained from academic journals, books, industry reports, and other scholarly publications that discuss Islamic insurance regulation and Sharia compliance. All documents analyzed in this study are publicly available and officially published to ensure reliability.

Data collection was conducted through library research by gathering relevant documents from official institutional publications and credible academic sources. The collected documents were then reviewed and organized based on key themes, such as Sharia principles, operational structures, governance mechanisms, and financial reporting requirements.

The data analysis technique used in this study is descriptive analysis. The researcher systematically describes the regulatory provisions and fatwas issued by each institution and then presents their similarities and differences. The analysis focuses on explaining how each institution regulates Islamic insurance according to its authority and perspective.

This descriptive qualitative method is considered appropriate because the objective of the study is to provide a clear explanation and comparison of regulatory frameworks rather than to test hypotheses or measure statistical relationships.

Results and Discussion

1. Fundamental Sharia Principles in Islamic Insurance

Islamic insurance (*takaful*) is fundamentally based on mutual cooperation (*ta'awun*) and donation-based risk-sharing (*tabarru'*). All three institutions—DSN-MUI, OJK, and AAOIFI—affirm the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and *maisir* (gambling) as foundational requirements.

DSN-MUI explicitly outlines these principles in its fatwas, emphasizing theological legitimacy and adherence to Islamic jurisprudence. OJK incorporates these principles into binding regulations, ensuring operational compliance within the national financial system. AAOIFI similarly affirms these prohibitions but frames them within globally applicable Sharia standards.

Table 1. Comparison of Fundamental Sharia Principles

Aspect	DSN-MUI	OJK	AAOIFI
Prohibition of Riba	Strictly prohibited in contracts & investment	Adopted from fatwa; enforced through regulation	Explicit prohibition in Sharia standards
Prohibition of Gharar	Contracts must be clear & transparent	Product disclosure required	Detailed contractual clarity requirements
Prohibition of Maisir	Avoid speculative elements	Integrated in risk management rules	Explicitly prohibited in underwriting models
Risk Sharing	Tabarru' and ta'awun emphasized	Operationalized in company structure	Defined in takaful models (wakalah/mudharabah)

The comparison shows strong convergence at the conceptual level. However, DSN-MUI focuses more on religious legitimacy, whereas OJK ensures implementation through regulatory instruments. AAOIFI provides technical depth in defining permissible structures.

2. Operational Structure of Islamic Insurance

Operationally, Islamic insurance differs from conventional insurance in fund management and contractual relationships. DSN-MUI fatwas require the separation of

participant funds (*tabarru' funds*) from shareholder funds. Contracts must be based on *wakalah* (agency) or *mudharabah* (profit-sharing).

OJK regulations mandate the separation of Islamic business units from conventional operations. Companies must meet minimum capital requirements and maintain financial solvency ratios. OJK also supervises underwriting policies, claims management, and investment allocation.

AAOIFI standards provide more detailed guidance on fund segregation, surplus distribution, and technical reserves. It emphasizes actuarial transparency and risk measurement.

Table 2. Operational Structure Comparison

Component	DSN-MUI	OJK	AAOIFI
Contract Model	Wakalah or Mudharabah	Must comply with DSN-MUI	Wakalah, Mudharabah, Hybrid models
Fund Segregation	Mandatory	Legally enforced	Strict accounting separation
Surplus Distribution	Based on Sharia agreement	Regulated & disclosed	Clear actuarial calculation rules
Capital Requirements	Not specified	Minimum capital required	Not nationally binding

This comparison highlights DSN-MUI's normative authority, OJK's prudential supervision, and AAOIFI's technical comprehensiveness.

3. Governance and Sharia Supervision

Governance mechanisms represent a critical element in maintaining Sharia compliance. DSN-MUI requires every Islamic insurance company to establish a Sharia Supervisory Board (Dewan Pengawas Syariah – DPS). The DPS ensures that operations align with fatwas.

OJK complements this by regulating corporate governance structures, including board responsibilities, risk committees, and compliance systems. OJK may impose sanctions for violations.

AAOIFI provides international governance standards, requiring independent Sharia boards, internal Sharia review, and external Sharia audits.

Table 3. Governance Framework Comparison

Governance Aspect	DSN-MUI	OJK	AAOIFI
Sharia Board	Mandatory DPS	DPS recognized & supervised	Independent Sharia Committee
Legal Authority	Religious legitimacy	State regulatory power	International standard
Audit	Not detailed	Financial audit mandatory	Financial & Sharia audit required
Sanctions	Moral/religious	Administrative/legal sanctions	Depends on adopting country

OJK provides enforceable mechanisms, while DSN-MUI ensures theological oversight. AAOIFI emphasizes best practices in Sharia governance.

4. Financial Reporting and Accounting Standards

Financial transparency is essential for industry credibility. DSN-MUI requires separation of participant and company funds but does not detail accounting procedures.

OJK mandates compliance with Sharia Financial Accounting Standards (PSAK Syariah). Financial reports must disclose risk exposure, surplus distribution, and investment performance.

AAOIFI offers comprehensive accounting standards specific to takaful operations, including revenue recognition, reserve calculation, and surplus allocation.

Table 4. Financial Reporting Comparison

Reporting Aspect	DSN-MUI	OJK	AAOIFI
Fund Separation	Required	Required & audited	Detailed accounting guidance
Revenue Recognition	Not technical	PSAK-based	Standardized accounting method
Risk Disclosure	General principle	Mandatory disclosure	Detailed actuarial reporting
Global Applicability	National	National	International

AAOIFI provides the most technically detailed accounting framework, while OJK integrates national standards aligned with international practices.

5. Key Similarities and Differences

The comparative analysis reveals that DSN-MUI, OJK, and AAOIFI share a common foundational commitment to the core principles of Islamic law governing financial transactions. All three institutions consistently emphasize the prohibition of *riba*, *gharar*, and *maisir* as essential elements that distinguish Islamic insurance from its conventional counterpart. They also agree on the necessity of risk-sharing through the *tabarru'* mechanism and the requirement to separate participants' funds from shareholders' funds. Furthermore, each framework acknowledges the importance of Sharia supervision to ensure that Islamic insurance operations remain compliant with Islamic ethical and legal standards.

Despite these shared principles, significant differences appear in institutional orientation and implementation mechanisms. DSN-MUI operates primarily as a religious authority, issuing fatwas that provide theological legitimacy for Islamic insurance practices. Its role is normative and doctrinal, focusing on ensuring that contracts and operational structures align with Islamic jurisprudence. In contrast, OJK functions as a state regulatory body with legally binding authority. Its regulations extend beyond Sharia compliance to include prudential supervision, capital adequacy requirements, governance standards, and consumer protection mechanisms. Meanwhile, AAOIFI serves as an international standard-setting organization, offering comprehensive guidance on Sharia governance, accounting treatment, and auditing practices.

Although AAOIFI standards are not directly enforceable in Indonesia, they influence national accounting standards and provide a benchmark for global best practices.

6. Regulatory Implications for Islamic Insurance in Indonesia

The presence of these three regulatory dimensions creates a multi-layered governance structure for Islamic insurance in Indonesia. On one hand, this structure strengthens the legitimacy and credibility of the industry. The involvement of DSN-MUI ensures religious authenticity and enhances public confidence among Muslim consumers. OJK's supervisory authority guarantees financial stability and legal certainty, which are crucial for market sustainability. The reference to AAOIFI standards supports alignment with international practices, thereby improving the competitiveness of Indonesian Islamic insurance operators in the global market.

On the other hand, the coexistence of multiple regulatory authorities may create operational complexity. Differences in interpretative emphasis between theological fatwas and prudential regulations can lead to variations in product structuring and reporting practices. Additionally, the partial adoption of AAOIFI standards may limit full harmonization with international frameworks. These challenges highlight the need for stronger coordination among institutions to ensure consistency in regulatory implementation and to prevent overlapping compliance requirements.

7. Harmonization Perspective

From a harmonization perspective, the findings indicate that Indonesia's Islamic insurance framework reflects a hybrid regulatory model combining religious authority, national supervision, and international standardization. While this model offers comprehensive oversight, effective integration among these dimensions is essential to maintain coherence. Harmonization does not require eliminating institutional differences but rather aligning their objectives and operational guidelines.

Improved collaboration between DSN-MUI and OJK could facilitate clearer translation of fatwa principles into enforceable regulatory provisions. At the same time, gradual integration of AAOIFI's technical accounting and governance standards into national regulations may strengthen transparency and international compatibility. By fostering structured dialogue and coordinated policy development, Indonesia can enhance regulatory clarity, reduce inconsistencies, and support the sustainable growth of its Islamic insurance sector.

Conclusion

This study examined the comparative regulatory and fatwa frameworks governing Islamic insurance in Indonesia from the perspectives of DSN-MUI, OJK, and AAOIFI. The findings demonstrate that while all three institutions share a common foundation in core Sharia principles—particularly the prohibition of *riba*, *gharar*, and *maisir*—their approaches differ in orientation, scope, and implementation mechanisms. These differences reflect the distinct institutional roles each body performs within the Islamic financial ecosystem.

DSN-MUI plays a fundamental role in establishing theological legitimacy. Through its fatwas, it provides the normative basis that defines the permissibility and structure of Islamic insurance products. Its emphasis lies in ensuring compliance with Islamic jurisprudence and safeguarding the integrity of Sharia principles in contractual relationships and fund management. The fatwas issued by DSN-MUI serve as the moral and religious foundation upon which Islamic insurance operations are built in Indonesia.

In contrast, OJK functions as the formal regulatory authority responsible for supervising the operational and prudential aspects of Islamic insurance. Its regulations translate Sharia principles into enforceable legal requirements, including capital adequacy standards, risk management frameworks, corporate governance obligations, and consumer protection measures. OJK's role ensures financial stability, transparency, and accountability within the industry. By integrating Sharia compliance into the broader national financial regulatory system, OJK bridges the gap between religious doctrine and practical financial governance.

AAOIFI, meanwhile, provides a broader international dimension by offering comprehensive Sharia, accounting, and governance standards applicable to Islamic financial institutions worldwide. Although not directly binding in Indonesia, AAOIFI standards influence national accounting practices and serve as a benchmark for international best practices. Its detailed guidance on fund segregation, surplus distribution, and Sharia governance enhances technical consistency and promotes global harmonization.

The coexistence of these three regulatory dimensions creates a layered governance structure that strengthens both legitimacy and stability. Religious authority ensures doctrinal compliance, national regulation guarantees legal enforceability, and international standards support technical rigor and global competitiveness. However, the study also identifies potential challenges arising from differences in emphasis and partial adoption of international standards. Without sufficient coordination, these differences may lead to regulatory fragmentation or operational complexity.

Therefore, regulatory harmonization becomes a strategic necessity. Harmonization does not imply uniformity but rather alignment of objectives, clarification of institutional roles, and structured coordination mechanisms. Strengthening collaboration between DSN-MUI and OJK, while gradually integrating relevant AAOIFI standards into national regulations, could enhance regulatory coherence. Such integration would improve transparency, reinforce public trust, and support sustainable growth of the Islamic insurance sector.

Indonesia's Islamic insurance framework demonstrates strong foundational consistency in Sharia principles but requires continued institutional coordination to optimize effectiveness. By enhancing regulatory synergy among religious, national, and international authorities, Indonesia can position its Islamic insurance industry as both Sharia-compliant and globally competitive. Future research may extend this normative analysis by incorporating empirical assessments of implementation effectiveness and industry performance outcomes.

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