

FROM RULE-BASED TO PURPOSE-BASED COMPLIANCE: RECONSTRUCTING SUBSTANTIVE SHARIA COMPLIANCE IN ISLAMIC GENERAL INSURANCE

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ABSTRACT

The Islamic general insurance industry in Indonesia has a relatively complete normative architecture through the Insurance Law, Financial Services Authority (OJK) Regulations, and DSN-MUI fatwas, yet its practice remains dominated by formal compliance that stops at contract validity and document completeness. This condition creates information asymmetry that disadvantages participants, an imbalance between participants' rights and obligations, and a Sharia Supervisory Board role that lacks public accountability. This study aims to analyse the quality of product information delivery and the implementation of participants' rights and obligations, and to reconstruct a substantive Sharia compliance model based on *maqāṣid al-sharī'ah*. It employs a qualitative legal juridical-empirical case study of PT Asuransi Takaful Umum and PT Zurich General Takaful Indonesia. Data were collected through in-depth interviews with agents, participants, Compliance Directors, and Sharia Supervisory Board members, as well as a review of policies and regulations, and then analysed interactively and interpreted using the six features of Jasser Auda's Systems Approach. The findings show that both companies have met formal compliance, but participants do not yet understand information on the *tabarru'* fund, *ujrah*, investment, underwriting surplus, and sharia supervision outcomes; participants' rights remain contractual, while their obligations are strictly regulated. The study concludes that a shift from rule-based to purpose-based compliance is needed through a five-pillar model that assesses compliance by its outcomes in transparency, literacy, rights protection, trust, and participant welfare. The model can serve as a reference for regulators, Sharia Supervisory Boards, and companies in designing sharia disclosure and compliance evaluation standards.

Keywords: substantive sharia compliance; *maqāṣid al-sharī'ah*; Islamic general insurance; systems approach; *tabarru'* fund.

From Rule-based to Purpose-based Compliance: Reconstructing Substantive Sharia Compliance in Islamic General Insurance

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ABSTRAK

Industri asuransi umum syariah di Indonesia telah memiliki arsitektur normatif yang relatif lengkap melalui Undang-Undang Perasuransian, Peraturan Otoritas Jasa Keuangan, dan Fatwa DSN-MUI, tetapi dalam praktiknya masih didominasi oleh kepatuhan formal yang berhenti pada keabsahan akad dan kelengkapan dokumen. Kondisi tersebut kemudian menimbulkan asimetri informasi yang merugikan peserta, ketimpangan hak dan kewajiban peserta, serta peran Dewan Pengawas Syariah yang belum menjangkau akuntabilitas publik. Penelitian ini bertujuan untuk menganalisis kualitas penyampaian informasi produk, implementasi hak dan kewajiban peserta, serta merekonstruksi model kepatuhan syariah substantif berbasis *maqāṣid al-syarī'ah*. Penelitian ini menggunakan metode kualitatif legal yuridis-empiris dengan pendekatan studi kasus pada PT Asuransi Takaful Umum dan PT Zurich General Takaful Indonesia. Data dihimpun melalui wawancara mendalam dengan agen, peserta, Direktur Kepatuhan, dan Dewan Pengawas Syariah, serta melalui telaah polis dan regulasi, kemudian dianalisis secara interaktif dan ditafsirkan menggunakan enam fitur *Systems Approach* Jasser Auda. Hasil penelitian menunjukkan bahwa kedua perusahaan telah memenuhi kepatuhan formal, tetapi informasi tentang dana *tabarru'*, *ujrah*, investasi, surplus *underwriting*, dan hasil pengawasan syariah belum dipahami peserta; hak peserta masih bersifat kontraktual, sedangkan kewajibannya diatur secara ketat. Penelitian ini menyimpulkan perlunya pergeseran dari *rule-based compliance* menuju *purpose-based compliance* melalui model lima pilar yang menilai kepatuhan berdasarkan capaian transparansi, literasi, perlindungan hak, kepercayaan, dan kemaslahatan peserta. Model ini dapat menjadi rujukan bagi regulator, Dewan Pengawas Syariah, dan perusahaan dalam menyusun standar pengungkapan serta evaluasi kepatuhan syariah.

Kata Kunci: kepatuhan syariah substantif; *maqāṣid al-syarī'ah*; asuransi umum syariah; *systems approach*; dana *tabarru'*.

INTRODUCTION

Islamic insurance occupies a strategic position in the Islamic financial ecosystem because it is built on the principles of *ta'āwun*, *tabarru'*, and risk sharing, which distinguish it from the risk-transfer mechanism of conventional insurance (Asyiqin et al., 2026). Indonesia has established a dual regulatory framework through Law No. 40 of 2014, as reinforced by Law No. 4 of 2023, Financial Services Authority (OJK) Regulations, and the fatwas on the general guidelines for sharia insurance and on the *tabarru'* contract (Dewan Syariah Nasional-Majelis Ulama Indonesia [DSN-MUI], 2001, 2006b; Republik Indonesia, 2014, 2023). This framework requires segregating participants' funds from company funds, establishing a Sharia Supervisory Board (SSB), and using contracts free from *gharar*, *maysir*, and *riba*. However, market penetration has not kept pace. Sharia insurance assets reached only IDR 46.55 trillion at the end of 2024, or about five per cent of the national insurance industry (Otoritas Jasa Keuangan [OJK], 2025b), while the sharia financial literacy index stood at only 43.42 percent, with an inclusion index of 13.41 per cent (Otoritas Jasa Keuangan & Badan Pusat Statistik, 2025).

Studies on sharia compliance have thus far focused on governance and formal disclosure approaches. Abdulrahman et al. (2024) found that foreign and institutional investors, board size

and independence, and the reputation and size of the sharia board influence the level of sharia compliance disclosure among Islamic financial institutions in nineteen countries. BenSaid (2025) showed that the size, reputation, and qualifications of the sharia supervisory board determine the financial performance of listed takaful companies in the Middle East. Alkhan and Hassan (2020b) found that Bahrain has segregated operator and participant accounts, whereas transparency issues and weaknesses in sharia governance persist in Saudi Arabia. In Indonesia, studies on Islamic banking compliance tend to interpret compliance as conformity with the Qur'an, the Sunnah, regulations, and fatwas (Ghozali et al., 2024), while studies on supervisory boards focus on their institutional role within the regulatory framework (Jihad et al., 2024). These studies matter, but they generally measure compliance through inputs and institutional processes.

A second group of studies explicitly uses *maqāṣid al-sharī'ah* as an evaluative framework. Alhammadi et al. (2022) analysed the ethical performance of Indonesian Islamic banking from a *maqāṣid* perspective, while Andini et al. (2025) proposed a new approach to measuring *maqāṣid* performance in Islamic banks. In the insurance sector, Kholis (2025) assessed the alignment between contract theory and the actual implementation of sharia unit-linked insurance products using Abu Zahrah's *maqāṣid* framework, which encompasses spiritual integrity, justice, and public welfare. Hamijaya et al. (2026) found that *maqāṣid*-based disclosure by takaful companies in five OIC member countries varied with the dynamics of their national regulatory environments. Asyiqin et al. (2026) further concluded that Indonesia's hybrid takaful contract model is formally valid but only partially realises ḥifz al-māl, justice, ta'āwun, and public welfare because its governance remains operator-centred. These studies affirm the importance of *maqāṣid*, but they remain macro-level, normative, or based on annual reports, and therefore have not directly captured participants' experiences at the company level.

A third group of studies focuses on participants and product practices. Poan et al. (2022) showed that trust significantly affects the intention to purchase Islamic insurance in Indonesia, while Alhammadi (2025) positioned takaful as a potential instrument for expanding financial inclusion and promoting sustainable economic growth in Indonesia. At the product level, Aidi (2018) found that the object-protection clause in PT Asuransi Takaful Umum's motor vehicle policy, based on sharia principles, was ineffective because participants rarely received an explanation at enrollment and it lacked a control mechanism. Meanwhile, the digitalisation of Islamic financial services has created new demands to safeguard sharia compliance in electronic

transactions (Hidayati et al., 2023; Ichsan et al., 2024). These findings show that trust, understanding, and participant protection are key variables in the success of Islamic insurance. However, no single sharia compliance evaluation framework integrates these three variables for companies, Sharia Supervisory Boards, and regulators to use together.

This mapping reveals three research gaps. First, a conceptual gap: sharia compliance is still understood in binary terms as conformity with rules (rule-based compliance) and has not been clearly distinguished from compliance measured by the achievement of the objectives of sharia. Second, an empirical gap: studies on information asymmetry and the imbalance of participants' rights in Islamic general insurance in Indonesia remain limited, particularly those based on direct interviews with participants, agents, Compliance Directors, and SSB members. Third, a model gap: no integrated model yet links information disclosure, the educational role of the SSB, accountability for the *tabarru'* fund, and outcome-based evaluation. These three gaps are interrelated, since the conceptual void leads to a void in measurement tools and models. The main novelty of this article lies in the paradigm shift from rule-based compliance to purpose-based compliance, operationalised through a five-pillar substantive sharia compliance model grounded in Jasser Auda's Systems Approach. This model assesses compliance not merely by the completeness of documents but by the transparency, literacy, rights protection, trust, and welfare that participants actually experience.

Another dimension of this research gap concerns the relationship between the formal recognition of participants' rights and their effective legal protection. Valid contracts, regulatory disclosures, and Sharia supervisory arrangements do not necessarily demonstrate that participants can meaningfully exercise their rights or obtain effective remedies when those rights are infringed. This distinction is consistent with the findings of Md Dahlan and Syed Abdul Kader (2011), who critically examined the adequacy of Islamic home financing arrangements in protecting purchasers, and Md Dahlan et al. (2017), who identified contractual deficiencies involving *gharar* and consumer protection in Islamic financing transactions. Although these studies focus on housing finance rather than *takaful*, they show the importance of examining substantive protection beyond formal contractual compliance. This distinction matters when *takaful* operators exercise substantial control over collectively managed funds while participants have comparatively limited information about their administration. Accordingly, substantive Sharia compliance should encompass not only contractual validity, transparency, and participant

understanding, but also the enforceability of legally recognised rights, institutional accountability, and effective protection against financial harm and injustice. Md Dahlan (2023) further demonstrates the importance of examining the availability and scope of legal and equitable remedies when contractual protections fall short. Integrating these dimensions provides a stronger legal foundation for evaluating whether formal compliance achieves the objectives of *maqāṣid al-sharī'ah*, particularly the protection of property (*ḥifẓ al-māl*), justice (*al-'adl*), and public welfare (*maṣlaḥah*).

To address these gaps, this article aims to reconstruct sharia compliance in Islamic general insurance on a substantive basis, shifting from a rule-based paradigm to a purpose-based paradigm. This aim is elaborated into three research questions. First, what is the quality of the delivery of Islamic insurance product information to participants at PT Asuransi Takaful Umum and PT Zurich General Takaful Indonesia? Second, how do the two companies implement substantive sharia compliance regarding participants' rights and obligations in their operational practices? Third, what is an ideal *maqāṣid al-sharī'ah*-based substantive sharia compliance model for the Islamic general insurance industry in Indonesia? The three questions are arranged sequentially: the first and second identify the gap between formal and substantive compliance, while the third formulates a normative-conceptual response to that gap. Theoretically, this article contributes to the development of sharia compliance theory in Islamic economic law; practically, it offers a reference for regulators, SSBs, and companies designing compliance evaluation systems oriented toward the interests of insurance participants.

RESEARCH METHOD

This study uses qualitative field research, combined with legal-juridical-empirical, conceptual, case study, and *maqāṣid al-sharī'ah* approaches. The study adopted the legal-juridical-empirical approach because it examines not only the norms governing Islamic general insurance but also their implementation in information delivery, the fulfilment of participants' rights and obligations, claims handling, and sharia compliance governance. The case study approach was chosen to gain an in-depth, holistic understanding of sharia compliance within a real institutional context, consistent with qualitative studies of takaful operator practices (Alkhan & Hassan, 2020a). The research was conducted at PT Asuransi Takaful Umum and PT Zurich General Takaful Indonesia. The two companies were selected purposively because they represent

two distinct typologies: a domestic pioneer of Islamic general insurance since 1995, and a company formed through the spin-off of a sharia unit backed by a global insurance group. Both also have an SSB and a Compliance Director, allowing sharia compliance to be traced from corporate policy and supervision to marketing and participants' experiences.

Primary data were obtained through semi-structured in-depth interviews with ten core informants, consisting of five agents or marketers and five participants from the two companies, supplemented by interviews with Compliance Directors and SSB members. Informants were selected through purposive sampling based on their direct involvement in marketing, service, product use, and claims. The interviews were conducted face-to-face in Jakarta and Yogyakarta and online from July to September 2026. Secondary data included policies, policy summaries, product information summaries, operational guidelines, annual reports, the Insurance Law, OJK Regulations, and DSN-MUI fatwas. The products examined comprised sharia motor vehicle, fire, property all risk, earthquake, and personal accident insurance. The interview guide was developed from the three research questions, with each question designed to explore information quality, the realisation of rights and obligations, and ideas for improving the compliance model. To protect confidentiality, informants from the agent group were coded A1 to A5, and those from the participant group were coded N1 to N5.

Data validity was tested through source triangulation and method triangulation. Source triangulation was conducted by comparing the accounts of Compliance Directors, SSB members, agents, and participants, while method triangulation was conducted by cross-checking interview results against the content of policy documents and regulations. Data were analysed interactively in three stages: data condensation, data display in the form of matrices and narratives, and conclusion drawing and verification.

To strengthen the legal and juridical-empirical approach, the documentary and doctrinal analysis should distinguish three categories of legal and institutional obligations: duties expressly imposed by legislation and regulatory instruments, obligations arising from the insurance contracts examined, and additional governance standards proposed on the basis of *maqāṣid al-sharī'ah*. This distinction aligns with the legal analytical approaches of Md Dahlan and Syed Abdul Kader (2011) and Md Dahlan et al. (2017), whose studies of Islamic home financing examined the relationship between Sharia principles, contractual arrangements, legal and equitable obligations, and substantive consumer protection.

The relevant Indonesian legal framework includes Law No. 40 of 2014, as amended by Law No. 4 of 2023, applicable Financial Services Authority regulations, and DSN-MUI fatwas governing Islamic insurance arrangements. Pay particular attention to disclosure requirements, contractual fairness, fund segregation and distribution, claims administration, and available dispute resolution mechanisms. The analysis should also distinguish the formal recognition of legal rights from their practical enforceability, reflecting Md Dahlan's (2023) examination of the relationship between statutory contractual obligations and the availability of legal and equitable remedies.

Where appropriate, a limited functional comparison with Malaysia may identify alternative approaches to Sharia governance and participant protection. Such an approach is supported by Md Dahlan's (2015) comparative legal analysis of institutional insolvency mechanisms in Malaysia, Singapore, and the United Kingdom, which illustrates the importance of examining the practical effectiveness and limitations of legal mechanisms across jurisdictions. This methodological distinction is necessary to avoid treating proposed improvements in substantive Sharia compliance as existing statutory requirements or characterising inadequate participant understanding as conclusive evidence of regulatory non-compliance.

At the interpretation stage, the findings were analysed using contemporary *maqāṣid al-sharī'ah* theory through Jasser Auda's Systems Approach. Auda (2008) views Islamic law as a system with six features, namely *cognitive nature*, *wholeness*, *openness*, *interrelated hierarchy*, *multi-dimensionality*, and *purposefulness*, so that compliance can be assessed as an integrated system rather than as a checklist. The *purposefulness* feature is central to the analysis because the success of a legal system is measured by the *maṣlaḥah* (welfare) it produces, not by the number of rules obeyed. Accordingly, rule compliance is the means, while achieving the *maqāṣid* is the end. This framework is relevant because Islamic economic law in Indonesia is considered to lean toward legal formalism, even though fatwas are dynamic, as legal rulings may change with changes in their *'illat* (ratio legis) and in *maṣlaḥah* (Hasanudin et al., 2023). In Islamic insurance, *maqāṣid* can be operationalised through *ḥifẓ al-māl*, *ḥifẓ al-'aql*, justice, and *ta'āwun* (Asyiqin et al., 2026; Solehudin et al., 2024). Using *maqāṣid* as a diagnostic framework, rather than merely an ethical reference, follows a recent trend in Islamic economic law scholarship: assessing institutions by their conformity with sharia objectives (Asyiqin et al., 2026). This framework also provides the epistemological basis for the shift from rule-based to purpose-based

compliance. The analysis results for the first and second research questions were then synthesised into a reconstructed model that answers the third. With this design, every empirical finding can be traced logically to a pillar of the model recommended in this article.

RESULT AND DISCUSSION

RESULT

The findings for the first research question show that both companies have delivered product information in accordance with formal requirements, but its quality has not yet reached a substantive level. Policies, policy summaries, product information summaries, and digital channels already contain the product identity, contract, contribution, benefits, covered risks, exclusions, and claims procedure. PT Zurich General Takaful Indonesia presents information more systematically through product summaries, e-policies, and digital claims, whereas PT Asuransi Takaful Umum presents it in a descriptive-normative manner. However, neither company explains the basis for determining *ujrah*, the instruments and investment performance of the *tabarru'* fund, the method for calculating the underwriting surplus, the *qarḍ* mechanism in the event of a deficit, or the results of SSB supervision. This is despite the fact that the *ujrah* portion in the products examined reaches 50 to 60 per cent of the contribution. Participants understand the contractual layer, such as the obligation to pay contributions and the claims procedure, but not the substantive sharia layer. Agents emphasise benefits, price, and claims, while electronic consent does not guarantee an understanding of the contract. Detailed findings for each aspect are presented in Table 1.

Table 1. Quality of Product Information Delivery at the Two Companies

Information Aspect	PT Asuransi Takaful Umum	PT Zurich General Takaful Indonesia	Compliance Category
Product identity, benefits, risks, and exclusions	Stated in the standard policy in a descriptive-normative manner	Structured through product summaries and policies	Formally fulfilled

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Information Aspect	PT Asuransi Takaful Umum	PT Zurich General Takaful Indonesia	Compliance Category
Name and type of contract	Stated declaratively	Stated declaratively	Formal, not yet substantive
Proportion of <i>tabarru'</i> and <i>ujrah</i>	Stated in general terms; <i>ujrah</i> 50–70% depending on product line	Property all risk 50:50; motor vehicle 40:60	Figures available; basis of determination not explained
Investment of the <i>tabarru'</i> fund	Not detailed	Not detailed	Not yet fulfilled
Underwriting surplus and <i>qard'</i>	Clause 25:45:30 (participants, company, reserves); calculation not reported	Clause available; calculation and realisation not reported	Not yet fulfilled
Role and results of SSB supervision	Brief annual opinion, not communicated	Integrated with the compliance function; close to participants	Not yet fulfilled
Digital channels	Gradual, limited to administration	E-policy, app, and digital claims	High access, low substance

Source: Data Processed (2026)

The findings for the second research question reveal an imbalance between the regulation of participants' rights and that of their obligations. Participants' obligations are stated clearly and in detail: disclosing material facts in the application form, paying contributions before the grace period expires, safeguarding the insured object, and meeting claim requirements, with claim rejection as the consequence of any breach. By contrast, participants' rights are limited to coverage benefits, information on the sum insured, and the submission of claims. Five rights have not been explicitly disclosed: the right to know how the *tabarru'* fund is managed, the right to information on the surplus and its distribution, the right to know investment returns, the right to

the results of SSB supervision, and the right to an explanation of how participants' funds are used. Participants' obligations are binding and measurable, whereas their rights over the collective fund are not clearly regulated. Claims experiences were relatively positive, but participants called for clarity on the reasons for document requests, certainty about timelines, and transparency regarding the basis of decisions. Participants' knowledge of the SSB likewise stops at knowing the institution exists, without awareness of the issues it oversees or how it follows up on them. Table 2 presents detailed findings.

Table 2. Implementation of Participants' Rights and Obligations

Dimension	Provisions in the Policy	Empirical Realization	Nature of Compliance
Obligation to disclose material facts	Mandatory; breach may void the claim	Understood and complied with by participants	Strict and one-directional
Obligation to pay contributions	Regulated with a grace period	Understood by participants	Formally fulfilled
Right to benefits and claims	Regulated procedurally	Claims proceed according to procedure; participants call for clarity on reasons and timelines	<i>Contractual rights</i>
Right to information on the <i>tabarru'</i> fund and investment	Not explicitly regulated	Participants do not know how the fund is managed	Not yet fulfilled
Right to the underwriting surplus	General clause	Participants do not know the calculation or realisation	Not yet fulfilled
Right to the results of SSB supervision	Not regulated	Participants know only that the SSB exists	Not yet fulfilled

Dimension	Provisions in the Policy	Empirical Realization	Nature of Compliance
Access to dispute resolution	Clause available	Not yet accompanied by effective access	Available, not yet effective

Source: Data Processed (2026)

The findings for the third research question show that the gaps in information and in participants' rights and obligations stem not from violations of contracts or fatwas but from a rule-oriented compliance paradigm. Formal instruments, namely contracts, fatwas, regulations, the SSB, and operational procedures, already exist, but their existence does not prove that sharia's objectives have been achieved. The interview data also identified convergent needs for improvement: a uniform one-page information summary, visualisation of fund flows, simple numerical simulations, publication of SSB supervision results, accessible surplus reports, and a communication channel between participants and the compliance function. These needs were reconstructed into a substantive sharia compliance model comprising five pillars: *substantive sharia compliance*, *substantive sharia information disclosure*, *substantive shariah governance*, *maqāṣid-based accountability*, and *outcome-based sharia compliance evaluation*. Each pillar has a new orientation and outcome indicators that companies, the SSB, regulators, and participants can verify. The model positions formal compliance as the foundation rather than the final measure. Table 3 presents the model details.

Table 3. *Maqāṣid*-Based Substantive Sharia Compliance Model

Pillar	Old Orientation (Rule-Based)	New Orientation (Purpose-Based)	<i>Maqāṣid</i> Outcome Indicators
1. <i>Substantive Sharia Compliance</i>	Conformity with contracts, fatwas, and regulations	Compliance with contractual terms and objectives, applicable legal obligations, and substantive protection of participants' rights	Contractual fairness, legally recognised interests and rights, and effective

			participant protection
2. <i>Substantive Sharia Information Disclosure</i>	<i>Legal disclosure</i> in the policy	<i>Educational disclosure:</i> plain language, visualisation of fund flows, numerical simulations	Participant understanding (<i>hifẓ al-‘aql</i>)
3. <i>Substantive Shariah Governance</i>	SSB as an internal supervisor	SSB as supervisor, educator, and bearer of public accountability	Governance transparency and trust
4. <i>Maqāṣid-Based Accountability</i>	Administrative accountability to regulators	Reciprocal accountability, verifiable fund segregation, transparent management of collective funds, and access to legally available redresses	Protection of economic interests, accountable fund management, effective redress, and safeguards against financial harm and injustices
5. <i>Outcome-Based Sharia Compliance Evaluation</i>	Input and process indicators	Measurable assessment of disclosure quality, participant understanding, claims administration, governance effectiveness, and the practical exercise of rights	Transparency, literacy, claims fairness and equitable, effective rights protection, trust, and participant welfare

Source: Data Processed (2026)

DISCUSSION

1. Quality of Product Information Delivery to Participants

The finding that both companies have formally fulfilled their information delivery obligations shows that the normative architecture of Islamic insurance in Indonesia operates at the document level. Statutory provisions, OJK Regulations, and DSN-MUI fatwas have been translated into contract clauses, contribution proportions, and claims procedures (DSN-MUI, 2006b; Republik Indonesia, 2014). However, such fulfilment is more accurately described as *disclosure compliance* than as *understanding compliance*. The cross-country study by Abdulrahman et al. (2024) shows that governance characteristics, such as ownership structure, board size and independence, and sharia board reputation, mainly determine the level of sharia compliance disclosure. In other words, institutional structure drives disclosure more than participants' need for understanding. A similar pattern appears in both companies: information is prepared to fulfil regulatory obligations, not to build understanding. As a result, participants know that their product carries a sharia label, but they do not understand why the *tabarru'* contract is used, where their contributions go, or how their collective rights are protected. This explains why the sharia label has not automatically fostered participant literacy.

The lack of transparency is most pronounced in the economic components of the contract, namely the basis for determining *ujrah*, the investment of the *tabarru'* fund, and the underwriting surplus. An *ujrah* portion amounting to half or more of the contribution, without an explanation of its rationale, may create informational *gharar* because participants agree to the contract without knowing what proportion of its value is actually allocated to mutual assistance. Alkhan and Hassan (2020b) show that segregating operator and participant accounts may meet accounting requirements yet still leave transparency problems when the sharia board's reports and financial statements do not explain it adequately. The surplus issue is likewise highly substantive. Rahman et al. (2024) examined the application of *ta'āwun* in cross-subsidising surplus among takaful operators, showing that surplus can be treated as an instrument of solidarity rather than merely as operating profit. In one product, a surplus distribution of 25 per cent to participants, 45 per cent to the company, and 30 per cent to reserves means participants are entitled to understand the basis for this allocation. Without such an explanation, the surplus loses its meaning as the fruit of participants' collective solidarity.

The role of agents shows that the information problem lies not only in the documents but also in the channels through which information is delivered. Agents are relatively well prepared to explain contributions, benefits, exclusions, and claims, but their explanations become less detailed when it comes to *ujrah*, surplus, investment, and SSB supervision. Sales targets and time constraints encourage communication centred on price and benefits. This finding aligns with Aidi (2018), who found that the object-protection clause in PT Asuransi Takaful Umum's motor vehicle policy was ineffective because participants were not sufficiently informed about it at enrollment. The consistency of these findings over time suggests that the compliance communication problem is structural rather than incidental. The implications are serious, as Poan et al. (2022) showed that trust significantly shapes the intention to purchase Islamic insurance in Indonesia. Trust built without substantive understanding tends to be fragile because participants trust the sharia label rather than the mechanisms that ensure sharia compliance. Therefore, insurance companies should include agents' competence in explaining the substance of the contract in their compliance standards.

The digitalisation of services, particularly at PT Zurich General Takaful Indonesia, has accelerated access to electronic policies, apps, and online claims. However, the findings show that electronic consent cannot yet serve as the sole proof of understanding of the contract. Digital channels shorten transactions while reducing opportunities to ask questions, so participants agree to contracts without understanding the consequences of *tabarru'* and *wakālah bi al-ujrah*. Hidayati et al. (2023) show that DSN-MUI fatwas on digital finance were formulated using the *ta'liil* and *istiṣlāḥī* methods to realise *maṣlahah*, so that the legitimacy of digital transactions rests on the achievement of benefit rather than mere procedural convenience. Ichsan et al. (2024) likewise emphasise that digitalising Islamic finance requires justification and compliance with sharia principles. Ahmad et al. (2024) also examined the role of smart contracts in Islamic contract theory, suggesting that changing the medium of a contract does not remove the obligation to fulfil its pillars (*arkān*) and conditions (*shurūṭ*). Digital channels should therefore visualise fund flows and present numerical simulations that participants can easily understand.

The distinction between documentary disclosure and meaningful understanding also has important implications for informed consent and contractual fairness. Although an electronic acknowledgement may show that a participant received or accepted particular contractual terms, it does not necessarily show that the participant understands the economic, pecuniary, non-

pecuniary, and legal consequences. This distinction aligns with the broader concerns raised by Md Dahlan and Syed Abdul Kader (2011), who examined whether formally recognised Islamic financing arrangements adequately satisfy Sharia requirements and protect consumers' interests. Similarly, Md Dahlan et al. (2017b) identified contractual deficiencies involving *gharar*, underscoring the importance of examining contractual substance and the financial risks consumers bear rather than relying solely on formal contractual arrangements.

This distinction is especially relevant to the allocation of contributions between *tabarru'* and *ujrah*, the operation of underwriting surplus arrangements, contractual exclusions, and claims procedures. Although these takaful arrangements differ legally from Islamic home financing, the underlying concern with contractual fairness and effective protection is comparable. Md Dahlan (2015) identified limitations in statutory housing sale agreements intended to protect purchasers, but these did not adequately address certain practical risks. Furthermore, Md Dahlan et al. (2017a) examined deficiencies in beneficial ownership in Islamic financing arrangements, highlighting the importance of clear, equitable contractual provisions.

A purpose-based compliance framework should therefore evaluate whether material information is presented clearly, communicated at an appropriate stage of the transaction, and sufficiently understood to support informed decision-making. Nevertheless, the legal consequences of inadequate disclosure must be assessed under applicable statutory and regulatory requirements, contractual provisions, and relevant principles of contract law. Consequently, meaningful disclosure should be recognised as a substantive Sharia governance objective without automatically equating imperfect comprehension with contractual invalidity.

Cross-jurisdictional comparisons reinforce the finding that regulatory design strongly shapes information quality. Hamijaya et al. (2026) found that the disclosure practices of takaful companies in five OIC countries varied with the dynamics of their national regulatory environments, with Indonesia showing a significant improvement driven by regulatory initiatives. Asyiqin et al. (2026) also concluded that Malaysia has a more integrated governance framework and more participant-oriented regulation. These findings suggest that improving information quality in Indonesian Islamic general insurance cannot rest solely on company initiatives. Regulators need to set minimum standards for substantive disclosure covering the basis of *ujrah*, the *tabarru'* fund investment policy, surplus calculation, and a summary of SSB supervision results. Companies, for their part, can use such disclosure to build long-term trust

and gain a competitive advantage in a competitive market. Substantive transparency is thus not an additional compliance burden but a prerequisite for growing Islamic insurance market share, which remains low to this day.

Systems Approach Analysis

Analysed through the Systems Approach, the quality of information delivery at both companies reveals weaknesses in almost every system feature. In terms of *cognitive nature*, information remains a mere *transfer of information*, listing contract names as administrative labels without building understanding. In terms of *wholeness*, the presentation is fragmented, so participants do not obtain a map of the fund's journey from contribution, fund segregation, investment, and claims through to surplus. In terms of *openness*, policies use technical terms without a glossary and are not updated to meet participants' needs. In terms of *interrelated hierarchy*, the contract, SSB, investment, and surplus are broken into mechanistic clauses. In terms of *multi-dimensionality*, the ethical and distributive dimensions are reduced to the contractual dimension. Most fundamentally, in terms of *purposefulness*, information does not aim to realise *ḥifẓ al-ʿaql* and *ḥifẓ al-māl* (Auda, 2008). Hence, the information compliance of both companies is formally valid but not yet meaningful from the standpoint of *maqāṣid*. This finding underscores that information must be improved systemically, not through piecemeal additions of clauses.

2. Substantive Sharia Compliance with Respect to Participants' Rights and Obligations

The imbalance between participants' obligations and rights is most evident in the principle of utmost good faith. Participants must disclose all material facts on pain of claim forfeiture, whereas the company need not disclose material sharia facts that affect participants' financial rights, such as the basis of *ujrah* and the investment performance of the *tabarru'* fund. This condition may be termed *one-sided utmost good faith*. From a sharia contracts perspective, it contradicts the principles of *amānah* and *al-bayān*, which require reciprocal honesty. Studies on Islamic banking compliance in Indonesia show that compliance is often understood merely as conformity with the Qur'an, the Sunnah, regulations, and fatwas (Ghozali et al., 2024), so the relationship between the parties receives insufficient attention. In Islamic insurance, this imbalance is even more problematic because the company acts as an agent (*wakīl*) managing funds that belong to participants. The party managing a trust should bear a greater duty of disclosure than the party entrusting it, not the reverse, as is evident in practice.

The relationship between participants and takaful operators should be examined through the principles of reciprocal contractual and equitable obligations, institutional accountability, and effective legal protection. In this regard, Md Dahlan and Syed Abdul Kader (2011) emphasise the importance of evaluating Islamic financial arrangements beyond formal Sharia compliance to determine whether they adequately protect the rights and interests of the contracting parties. Participants must disclose material facts, pay contributions, and comply with policy conditions, while operators must meet applicable disclosure obligations, administer funds in accordance with the governing legal and contractual framework, and handle claims fairly.

Although these obligations may differ in legal character and scope, substantive Sharia compliance requires an assessment of whether the regulatory, contractual, and equitable framework achieves an appropriate balance between the parties' respective rights, duties, and legitimate interests. Comparative legal scholarship demonstrates that formally recognised contractual safeguards may remain inadequate in practice, particularly where institutional arrangements fail to protect financially vulnerable parties (Md Dahlan, 2015b).

More importantly, the study should distinguish the recognition of contractual or equitable rights from participants' practical ability to enforce them through accessible complaints mechanisms, independent and impartial dispute resolution, or judicial determination. Md Dahlan (2023) underscores this distinction by examining the availability and scope of contractual, legal, and equitable remedies for aggrieved purchasers. His earlier analysis of limitation periods and the doctrine of laches further illustrates how procedural and equitable considerations may affect the availability of a contractual cause of action (Md Dahlan, 2002).

The principles of *amānah* (trustworthiness), *al-ʿadl* (justice), and *ḥifẓ al-māl* (protection of property) provide an ethical and normative foundation for this inquiry. Nonetheless, applicable legislation, regulatory instruments, contractual provisions, and relevant judicial authorities must determine the precise content, scope, and enforceability of participants' and operators' obligations. Accordingly, substantive Sharia compliance should be evaluated not merely by the existence of recognised rights and institutional safeguards, but also by the effectiveness of the legal mechanisms through which those rights may be exercised and protected.

The structure of the *tabarruʿ* contract positions participants as the collective owners of the *tabarruʿ* fund, while the company acts merely as its manager under a *wakālah bi al-ujrah* contract (DSN-MUI, 2006a, 2006b). Consequently, participants' rights under the policy cannot be framed

solely as *contractual rights* limited to claim benefits; they must also be framed as *participatory rights* to know about, oversee, and obtain information on the management of the fund they collectively own. Asyiqin et al. (2026) identified a governance asymmetry in the Indonesian takaful model, in which the operator controls administration, product design, and surplus-related decisions, while participants are positioned primarily as contributors of funds. The findings of this study confirm this asymmetry directly at the empirical level: none of the five information rights concerning the *tabarru'* fund, surplus, investment, SSB supervision results, and the use of funds is explicitly regulated in the policy documents. Participants' status as fund owners therefore remains declaratory rather than operational, so they cannot yet use this collective ownership right to assess the manager's performance.

The right to the underwriting surplus is the litmus test of distributive justice. Regulations already govern fund segregation, and the management of assets and liabilities under sharia principles (OJK, 2025a), yet participants receive no information on how the surplus is calculated and realised. Alkhan and Hassan (2020b) show that fund segregation, even when achieved in accounting terms, still requires transparency for sharia compliance to be verifiable. From a governance perspective, BenSaid (2025) demonstrated that the size, reputation, and qualifications of the sharia board affect the financial performance of takaful companies. This finding is important, but it also reveals a tendency in the literature to measure sharia governance effectiveness by company performance rather than by protecting the rights of participants. This study offers the opposite perspective: effective sharia governance should be reflected in participants' ability to know and assess the management of their collective fund. This perspective shifts the yardstick of governance success from the interest of shareholders to participants'. Without this ability, the surplus risks being treated as an internal company matter, even though it arises from funds participants donated for mutual assistance.

Protecting participants' economic interests also requires examining the legal, equitable, and operational effectiveness of fund segregation. Separating the *tabarru'* fund from the operator's other funds constitutes an important safeguard against commingling and unauthorised or inappropriate financial transfers. Nevertheless, accounting segregation should not be presumed to establish absolute proprietary protection or immunity from competing claims in every circumstance. This distinction aligns with Md Dahlan's (2014) analysis of conflicts between purchasers and secured creditors in insolvent housing development companies, showing

how competing legal interests and creditor priorities can affect the substantive protection available to financially vulnerable parties. Similarly, Md Dahlan et al. (2017) examined deficiencies concerning beneficial ownership in Islamic home financing arrangements, highlighting the importance of establishing the legal and equitable nature of parties' financial interests rather than relying exclusively on contractual form.

The effectiveness of fund segregation therefore depends on the applicable legal and regulatory framework, the nature and enforceability of participants' interests, the operator's powers and obligations, and the mechanisms governing financial distress, insolvency administration, and institutional resolution. Comparative insolvency research by Md Dahlan (2015) demonstrates that formal corporate rehabilitation mechanisms do not necessarily provide comprehensive protection to affected stakeholders. Md Dahlan and Syed Abdul Kader (2012) further illustrate how liquidation procedures, creditors' interests, and the availability of rehabilitation funding may affect the practical protection of vulnerable contracting parties.

Accordingly, a substantive Sharia compliance assessment should examine whether fund segregation is independently verifiable, whether material financial transactions are adequately disclosed, and whether participants' legitimate economic and pecuniary interests remain legally protected when the operator encounters financial difficulties and insolvency. These comparative insights do not establish that *takaful* participants have the same proprietary rights as housing purchasers or that segregated *tabarru'* funds are necessarily subject to the same creditor-priority rules. Rather, they support the need to determine the specific legal consequences of fund segregation under the applicable Indonesian insurance, corporate, and insolvency framework. This approach links property protection under *maqāṣid al-sharī'ah* (*ḥifẓ al-māl*) to identifiable, enforceable legal safeguards rather than relying solely on the formal separation of accounts.

The relatively positive claims experience shows that the company has fulfilled its obligation to pay benefits. However, participants view clarity about the reasons for document requests, certainty about timelines, and transparency about the basis for decisions as part of procedural justice. This demand shows that participants judge not only the outcome of a claim but also the process that produces it, including the attitude and communicative clarity of claims officers. Dispute resolution clauses are indeed in place, but the availability of a clause must be distinguished from effective access to redress. Poan et al. (2022) identify trust as a factor influencing the intention to purchase Islamic insurance, so procedural justice in claims has a

direct bearing on the sustainability of the industry. Alhammadi (2025) likewise positions takaful as an important instrument for expanding financial inclusion and sustainable economic growth in Indonesia. In the view of this study, that role can be realized only if participants experience protection that is fair and comprehensible. The right to claim therefore needs to be understood holistically, encompassing the rights to explanation, certainty, and effective access to dispute resolution.

Participants' knowledge of the SSB stops at knowing the institution exists, revealing a gap between *institutional presence* and *substantive accountability*. The SSB conducts supervision ranging from product review and operational oversight to periodic evaluation, but it does not communicate the results to participants. The Islamic Financial Services Board (IFSB, 2009) defines a sharia governance system as the institutional arrangements that ensure independent oversight of sharia compliance, including disseminating sharia pronouncements and conducting compliance reviews. If dissemination is limited to internal personnel, supervision results never reach participants. Without such communication, the SSB serves merely as a symbol of legitimacy rather than as an instrument for protecting participants. Studies on supervisory boards in Indonesia also still examine their role mainly within an institutional and regulatory framework (Jihad et al., 2024). In the insurance context, participants have the greatest stake in supervision outcomes, since supervision concerns their own funds. Therefore, the scope of SSB accountability needs to broaden from accountability to the board of directors and regulators to accountability to participants as owners of the *tabarru'* fund.

Systems Approach Analysis

Analysed through the Systems Approach, the implementation of participants' rights and obligations reveals a simultaneous failure of the *wholeness* and *purposefulness* features. Rights and obligations are treated as separate contractual components rather than as a single system of trust-based relations between fund owners and their manager. Participants' obligations are designed to protect the company's underwriting interests, whereas participants' rights to information on the collective fund are not designed at all. In terms of *interrelated hierarchy*, participants' position as fund owners is not connected to SSB supervision mechanisms or surplus reporting. In terms of *multi-dimensionality*, distributive justice and the ethics of trust (*amānah*) are reduced to the logic of commercial transactions. Within the *maqāṣid* framework, this condition has not yet realised *ḥifẓ al-māl*, since participants cannot ensure that their funds are

protected, nor justice, since the burden of compliance rests on one party alone (Auda, 2008; Solehudin et al., 2024). The new paradigm this relationship needs is mutual Sharia compliance, that is, reciprocal compliance that places the company and participants on *equal footing as subjects of Sharia* obligations.

Enforceable Participant Rights, Fund Protection, and Insolvency Safeguards

Reconstructing substantive Sharia compliance requires particular attention to the legal effectiveness of participant protection when ordinary contractual, equitable, and institutional arrangements face financial stress and insolvency. A framework based exclusively on transparency, literacy, and supervisory procedures may remain incomplete unless it also considers whether participants possess enforceable rights and effective remedies when their financial and pecuniary interests are adversely affected. Comparative legal scholarship demonstrates that formal contractual safeguards do not necessarily provide adequate substantive protection where the legal remedies available to affected parties are limited or uncertain (Md Dahlan, 2023; Md Dahlan & Syed Abdul Kader, 2011).

A distinction must therefore be drawn between contractual and equitable recognition, regulatory protection, and practical enforceability. Contractual and equitable recognition concerns rights and obligations arising under agreements and applicable legal and equitable principles. Regulatory protection establishes mandatory standards of conduct and supervisory requirements. Practical enforceability concerns whether a participant can invoke an appropriate legal mechanism to obtain an explanation, challenge a disputed decision, or secure a remedy for a legally actionable breach. These dimensions complement each other but are analytically distinct. Md Dahlan (2023) demonstrates the importance of examining the availability and scope of legal and equitable remedies where statutory contractual protections may be insufficient. Similarly, Md Dahlan (2002) examines how limitation periods and equitable considerations can affect the pursuit of contractual remedies.

The administration of the tabarru' fund raises further questions about legal ownership, fund segregation, financial accountability, and the treatment of participants' interests during financial distress and insolvency. Although the fund is administered for collective risk-sharing purposes, the governing regulatory, equitable, and contractual framework must determine its legal character and the consequences of insolvency. Without further legal analysis, separate accounts do not establish that participants have unrestricted proprietary rights or absolute priority

over other creditors. Md Dahlan et al. (2017) illustrate the relevance of examining the legal substance of financial interests by critically analysing deficiencies in beneficial ownership in Islamic home financing arrangements. Moreover, Md Dahlan (2014) demonstrates how competing legal interests and the priority accorded to secured creditors may undermine the practical protection of financially vulnerable purchasers during corporate insolvency. These findings provide a comparative basis for examining fund protection, without establishing that the same proprietary or creditor-priority rules apply to tabarru' funds. Similarly, the availability of qarḍ arrangements does not eliminate the need to examine how losses are allocated, repayment obligations are structured, and outstanding claims are protected.

These considerations justify incorporating enforceable participant protection into a maqāṣid-based compliance framework. The protection of wealth (ḥifẓ al-māl) should be assessed by the existence and effectiveness of legally and equitably recognised safeguards, including transparent, impartial fund administration; proper claims determination; independent supervisory oversight; accessible dispute resolution; and appropriate mechanisms for managing institutional failure. Comparative research on the rehabilitation of insolvent housing development companies demonstrates that formal insolvency and restructuring mechanisms may fail to provide comprehensive protection where creditor interests, inadequate funding, and institutional constraints undermine effective recovery (Md Dahlan, 2015a; Md Dahlan & Syed Abdul Kader, 2012). Accordingly, substantive Sharia compliance should assess the actual protection afforded to participants rather than relying solely on formal contractual and supervisory arrangements.

This analysis does not imply that the two companies examined have experienced insolvency, misappropriation, or unlawful conduct. Instead, it identifies an additional doctrinal dimension to consider when evaluating the adequacy of substantive Sharia compliance. A legally informed approach would enable regulators and operators to assess not only whether Sharia governance procedures exist but also whether they effectively and demonstrably protect participants' economic and pecuniary interests. This approach aligns with the broader view that Islamic financial arrangements should be evaluated on substantive contractual justice and stakeholder protection rather than formal compliance alone (Md Dahlan & Syed Abdul Kader, 2011).

3. Reconstructing a *Maqāṣid*-Based Substantive Sharia Compliance Model

Reconstructing the compliance model is necessary because the problem is not a lack of compliance but the limitations of the prevailing compliance paradigm. The current model treats contracts, fatwas, regulations, the SSB, and operational procedures as the ultimate measure of compliance. In the Systems Approach, however, rules serve to achieve *maṣlaḥah*, not as an end in themselves (Auda, 2008). Hasanudin et al. (2023) likewise show that Islamic economic law tends toward legal formalism, even though fatwas are dynamic, as legal rulings may change with changes in their *'illat* and in *maṣlaḥah*. The purpose-based compliance model therefore does not negate formal compliance but positions it as a baseline, or minimum threshold. Formal compliance must still be met, but it is no longer the final proof of sharia conformity. Above this threshold, companies must demonstrate that formal compliance delivers transparency, understanding, rights protection, trust, and welfare to participants. This is the fundamental difference between asking whether a company has complied with the rules and asking whether that compliance has realised the sharia objectives that give Islamic insurance its purpose.

The first pillar, *substantive sharia compliance*, shifts the orientation from conformity with the contract to conformity with the objectives of the contract. Operationally, every policy should include a Shariah Governance Disclosure Sheet that explains, in simple terms, how the *tabarru'* fund is managed, the investment policy, the basis of *ujrah*, surplus distribution, and the role and results of SSB supervision. The second pillar, *substantive sharia information disclosure*, shifts information from legal disclosure to *educational disclosure* through plain language, infographics, numerical simulations, and visualisations of fund flows. This idea aligns with Kholis (2025), who assesses Islamic insurance products not only by contract theory but also by implementation, using a *maqāṣid* framework that encompasses spiritual integrity, justice, and public welfare. Both pillars also align with Abdulrahman et al.'s (2024) finding that the level of sharia compliance disclosure is closely related to governance mechanisms. Both pillars can be implemented without changing the contract, simply by improving information design. Their success is measured by increased participants' understanding, not by more disclosure pages participants must read.

The third pillar, *substantive shariah governance*, expands the role of the SSB from internal supervisor to supervisor, educator, and bearer of public accountability. This expanded role can be realised gradually through an easy-to-understand annual sharia compliance report, a compliance dashboard on the participant portal, publication of follow-ups to SSB

recommendations, and transparent handling of every sharia non-compliance incident. The IFSB (2009) positions the dissemination of sharia pronouncements and compliance reviews as elements of a sharia governance system; this model extends the audience of such dissemination to include participants. BenSaid's (2025) findings on the influence of sharia board reputation and qualifications on takaful performance show that SSB quality is a strategic asset for companies. That quality should also protect participants as owners of the *tabarru'* fund. Accordingly, SSB independence should not remain merely structural; it should be communicated so participants can judge the objectivity of supervision for themselves and trust its results. At this point, sharia governance shifts from mere compliance assurance to public accountability that participants can experience directly.

The fourth pillar, *maqāṣid-based accountability*, expands accountability from an administrative obligation to regulators into vertical accountability to Allah SWT and horizontal accountability to participants. Company reports should be supplemented with reports on the management of the *tabarru'* fund, the performance and instruments of sharia investment, the realisation of surplus distribution, a summary of sharia audits, and the follow-up to SSB recommendations. These reports should include *maqāṣid* performance indicators such as transparency, rights protection, the speed and fairness of claims, education quality, and participant satisfaction. Researchers have developed efforts to measure *maqāṣid*-based performance in Islamic banking (Alhammadi et al., 2022; Andini et al., 2025) and in sharia management accounting information systems (Baining et al., 2024). Hamijaya et al. (2026) have even used five *maqāṣid* objectives to assess the disclosure of takaful companies. With such reports, participants can judge whether their collective fund is managed with integrity. This model adapts these developments to Islamic general insurance by positioning participants, rather than investors, as the primary users of accountability reports, so participants can understand the language.

Maqāṣid-based accountability should also extend to the legal mechanisms safeguarding participants' economic and pecuniary interests. In this respect, effective accountability requires more than disclosing financial statements and Sharia supervisory findings. It also requires assessing whether operators manage collective funds in compliance with applicable legal and regulatory obligations, manage conflicts of interest appropriately, and allow participants to obtain effective remedies for legally actionable breaches. The distinction between the formal

recognition of contractual rights and their practical enforceability is particularly important, as Md Dahlan (2023) shows, highlighting the limitations of contractual protections in safeguarding financially vulnerable parties. Md Dahlan and Syed Abdul Kader (2011) further reinforce this concern by examining the adequacy of Islamic financial arrangements in achieving substantive Sharia compliance and protecting contracting parties' interests.

Particular attention should be given to protecting segregated funds, ensuring transparency and impartiality in surplus allocation, and addressing participants' claims during financial distress and insolvency. Comparative legal research shows that competing proprietary interests, secured-creditor priorities, and institutional insolvency arrangements may undermine the practical protection of affected stakeholders, despite formal contractual and statutory safeguards (Md Dahlan, 2014, 2015; Md Dahlan & Syed Abdul Kader, 2012). Although these studies concern housing development and corporate insolvency rather than takaful, they provide relevant comparative legal principles for examining the effectiveness of participant protection. These safeguards give *ḥifẓ al-māl* a practical legal dimension by linking the ethical obligation to protect wealth to the institutional and legal arrangements through which that protection can be realised.

The fifth pillar, *outcome-based sharia compliance evaluation*, constitutes the core novelty of the proposed model. Evaluation that has so far relied on input and process indicators, such as the existence of an SSB, the completeness of fatwas, and solvency ratios, is complemented by five outcome dimensions: information transparency, participants' sharia literacy as a manifestation of *ḥifẓ al-ʿaql*, the protection of economic rights as a manifestation of *ḥifẓ al-māl*, participant trust, and collective welfare. These five dimensions can be measured periodically through participant comprehension surveys, document transparency audits, claim settlement ratios and times, and the number and types of participant complaints. This outcome orientation is in line with the systematic review by Harahap et al. (2023), which links Islamic law and Islamic finance to the Sustainable Development Goals. At the policy level, OJK and DSN-MUI could adopt these indicators to complement formal supervision, while industry associations could develop uniform joint disclosure guidelines. In this way, sharia compliance is assessed by its tangible impact on participants, not merely by the completeness of the documents reported to the authorities.

For outcome-based evaluation to be operationally meaningful, each dimension of substantive Sharia compliance should be linked to clearly defined, independently verifiable

indicators. Information transparency may be assessed through disclosure audits, while participant understanding may be evaluated through structured comprehension assessments and regular surveys. The effectiveness of rights protection may be examined through claims settlement times, complaint resolution outcomes, access to independent and impartial redress, and documented compliance with legally recognised obligations. Distinguishing formally recognised contractual protection from effective, accessible remedies aligns with Md Dahlan's (2023) examination of the scope and availability of legal and equitable remedies for aggrieved purchasers. Similarly, Md Dahlan and Syed Abdul Kader (2011) demonstrate the importance of evaluating Islamic financial arrangements beyond formal contractual compliance to determine whether they substantively protect stakeholders' rights and interests. Fund accountability may be assessed through the completeness, timeliness, and independent verification of relevant financial and Sharia governance reports, as well as a 360-degree evaluation involving diverse stakeholders. Such scrutiny matters especially where contractual arrangements, competing claims, and institutional failure may shape the legal character of financial interests and the practical and adequate protection available to affected parties (Md Dahlan, 2014; Md Dahlan et al., 2017). These indicators should be applied proportionately and interpreted in light of differences in product design, risk exposure, and institutional circumstances. The proposed indicators require further empirical validation before they can be treated as established measures of substantive Sharia compliance.

A focused comparison between Indonesia and Malaysia may further strengthen the proposed framework by examining how different legal systems translate Sharia governance principles into enforceable financial consumer protection. The Malaysian **Islamic Financial Services Act 2013 (Act 759)**, complemented by **Bank Negara Malaysia's Shariah Governance Policy Document** and **Takaful Operational Framework**, provides a comparative foundation for assessing Shariah governance, fund administration, and takaful operator accountability. Likewise, the Malaysian Capital Markets and Services Act 2007 (Act 671) and the Securities Commission Malaysia's Guidelines on Islamic Capital Market Products and Services govern Islamic investment. These legal provisions establish complementary regulatory requirements for Shariah compliance, governance, investor protection, and accountability across Islamic investment funds, intermediaries, and asset management activities. Further, Md Dahlan and Syed Abdul Kader (2011) highlight the importance of assessing the relationship between

Shariah principles, contractual arrangements, institutional supervision, and substantive protection of consumer equity.

Md Dahlan (2015) demonstrates the value of functional comparative legal analysis in examining the effectiveness and limitations of institutional mechanisms across Malaysia, Singapore, and the United Kingdom. The Indonesian framework, including the Insurance Law, applicable Financial Services Authority (OJK) regulations, and DSN-MUI fatwas, should therefore be evaluated against equivalent legal functions rather than institutional terminology alone. The comparison should assess the effectiveness of disclosure obligations, segregated-fund protection, supervisory intervention, and dispute-resolution mechanisms. Comparative studies of corporate liquidation and rehabilitation further illustrate the importance of examining whether formal legal safeguards effectively protect vulnerable stakeholders under financial distress (Md Dahlan & Syed Abdul Kader, 2012). This approach would identify potentially transferable regulatory, equitable, and legal principles while recognising differences in legal structure, institutional authority, and market conditions. The objective is not to establish the superiority of either jurisdiction but to examine how balanced, equitable legal safeguards can help practically realise Sharia objectives, particularly the protection of wealth (*ḥifẓ al-māl*), justice (*al-‘adl*), and public welfare (*maṣlaḥah*).

Systems Approach Analysis

Analysed through the Systems Approach, the five-pillar model fulfils all six system features in an integrated manner. The model acknowledges its cognitive nature by viewing the prevailing compliance model as a product of *ijtihād* that can be reconstructed. It also fulfils the *wholeness* feature by integrating information, participants' rights, governance, accountability, and evaluation into a single system. The *model's readiness to adopt modern governance instruments, digital technology, and international standards clearly reflects the openness feature*. The *interrelated hierarchy* feature is evident in the position of formal compliance as the foundation for the substantive pillars, while *multi-dimensionality* is reflected in the integration of legal, economic, ethical, and social dimensions. The *purposefulness* feature is the axis of the model because all pillars are directed toward *maqāṣid* outcomes (Auda, 2008). Thus, the model does not replace the existing regulatory framework but refines it, shifting sharia compliance from rule-based to purpose-based compliance that participants, regulators, and the public can verify.

This reconstruction also allows regulators to integrate *maqāṣid* indicators into risk-based supervision.

CONCLUSION

This study draws three conclusions. First, product information delivery at PT Asuransi Takaful Umum and PT Zurich General Takaful Indonesia meets formal sharia compliance but has not yet achieved substantive compliance. Information on contracts, contributions, benefits, risks, and claims is available, but the basis of *ujrah*, the investment of the *tabarru'* fund, the underwriting surplus, the *qarḍ* mechanism, and the results of SSB supervision have not been communicated openly and educationally, so disclosure remains at the level of legal disclosure. Second, the implementation of participants' rights and obligations remains unbalanced. The obligations of participants are firmly regulated, with claim forfeiture as the consequence of breach, whereas participants' rights and interests as collective owners of the *tabarru'* fund remain limited to contractual rights and have not developed into balanced and equitable participatory rights. Third, the compliance model needs reconstruction because the main problem is not a lack of compliance but the limitations of the equitable rule-based compliance paradigm. The proposed model consists of five pillars: substantive sharia compliance, substantive sharia information disclosure, substantive sharia governance, *maqāṣid*-based accountability, and outcome-based sharia compliance evaluation. This model shifts the measure of compliance toward purpose-based compliance, assessed by achievements in transparency, literacy, rights and interests protection, trust, and participant welfare and well-being. In practice, the model can serve as a reference for OJK, DSN-MUI, SSBs, and companies developing standards for sharia disclosure and compliance evaluation. The proposed reconstruction further demonstrates the importance of examining substantive Sharia compliance through the relationship between contractual, balanced and equitable rights, institutional accountability, and effective legal and equitable protection. Transparency and participant literacy are essential, but their practical significance also depends on the availability of legally and equitably recognised safeguards and accessible remedies. Accordingly, assess how fund accountability, fair and equitable claims administration, effective dispute resolution, and appropriate arrangements to address institutional financial distress and insolvency protect participants' economic, pecuniary and non-pecuniary interests. These considerations strengthen the legal dimension of *maqāṣid al-sharī'ah*, particularly *ḥifẓ al-māl* and

al-‘adl, without diminishing the continuing importance of formal regulatory compliance. Future doctrinal and comparative research should examine how Indonesian and Malaysian legal and regulatory frameworks address fund protection, institutional resolution, enforceability, and the preservation of participants’ legal, equitable and balanced rights and interests. Such research would complement the present qualitative findings and support the development of a more comprehensive and empirically testable model of substantive Sharia compliance. Future research should also develop quantitative instruments to test this model empirically on a broader scale.

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