

Implementation of Sharia Insurance in providing Sustainable Financial Protection

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Abstract. Sharia insurance is essential in providing sustainable financial protection for individuals and communities. By adhering to the principles of Islamic Sharia, Islamic insurance offers financial protection in accordance with religious values while promoting shared prosperity and sustainable risk management. This research uses a library research method with data collection carried out in several stages, from collecting references to analyzing references relevant to this research. In contrast, data sources are obtained from literature reviews from books, journals, the internet, and other media. This article outlines the general background of Islamic insurance and the importance of financial protection and explains the fundamental differences between conventional insurance and other insurance. In addition, the article discusses the long-term benefits to society at large. A better understanding of the role of Islamic insurance in providing sustainable financial protection is expected to strengthen the overall Islamic financial system and offer significant benefits to individuals and society. Shariah insurance focuses on meeting financial needs and adherence to moral and ethical principles in Islam. This insurance firmly holds principles: ta'awunu 'ala al birr wa al-taqwa (help you all in goodness and piety) and al-ta'min (security).

Keywords. Sharia insurance, legal basis, akad, financial protection

I. INTRODUCTION

Sharia insurance is a protection system that complies with the principles of Islamic Sharia, which includes the prohibition against usury, speculation, and unclear elements. In a modern risk-filled life, financial protection has become very important. Losing assets or sources of income due to various risks, such as natural disasters, accidents, or serious illnesses, can devastate individuals and their families. The growth of the Islamic insurance industry in this country can be seen from the increase in existing assets and players. However, the low level of literacy related to sharia insurance as well as how to invest in unit-linked sharia insurance products makes some people hesitant about sharia insurance. Certified sharia insurance agents are at the forefront of providing investment literacy in sharia insurance products to customers since they have been given full trust to manage their assets so that customers get protection and benefits [1].

Life in the world is filled with uncertainty and various risks, ranging from illness accidents to inevitable death. Therefore, humans must plan for the future thoroughly to overcome these challenges. One way to ensure a better future financially is through risk-reducing savings, often known as insurance savings. Insurance companies aim to protect assets, property, individuals, community groups, and other organizations from possible losses that may occur. Social security is a crucial part in human life, which is consisted pre-arrangements against risky life. Takaful is an essential approach which provides confidence and ethical guidelines in protecting assets. Takaful, is considering Shari'ah principles, also applies the same principles of insurance for its operation even though insurance consists of some prohibited elements in Islam[2]

Takaful is a system of Islamic insurance based on the principle of mutual cooperation (ta'awun) and donation (tabarru'), where the risk is shared collectively and voluntarily by the group of participants [3]. Sharia insurance, which is based on helping each other for good things and Taqwa, requires all the participants in a big family to protect each other and bear the economic risk among them. Both Takaful and insurance have a common primary objective of reducing the burden of financial loss to individuals or firms.

Starting the 1970s and increasingly in the 1990s, Islamic countries and other countries with a significant Muslim population have encouraged the provision of financial services, including insurance, under Islamic principles. As a result, a number of Islamic insurance companies, called takaful insurers, have been established to provide Muslim individuals and businesses with insurance coverage both in the life and non-life sectors. These insurers are found not only in Islamic countries and other countries with a significant Muslim population. When facing life's journey, humans are always expected to be aware of all possible possibilities. This is due to the uncertainty inherent in the future, where no one can definitively know how his future will be formed. Allah's Word in Al-Qu'an Surat Luqman: 34 "And no one can know (with certainty) what he will do tomorrow. And no one can know on which earth he will die. Verily, Allah knows best." In this verse, Allah invites humanity to take prudent action and prepare themselves for an uncertain future, including the Day of Judgment, one aspect of the uncertain future. Sharia insurance can be a sustainable solution in providing risk management funds. This study aimed to analyze the development and sustainability of Islamic insurance as an alternative form of risk management, as well as its sustainability in the future [4]

In Islamic teachings, the concept of insurance has existed since the time of the Prophet Muhammad, which is the beginning of the concept of Islamic insurance, according to some scholars. The concept is known as ad-iyah 'ala al-'aqilah, which refers to the customary practice of pre-Islamic Arab tribes where if a member of another tribe killed someone, the victim's heirs would receive compensation payments from the killer's closest relatives, known as al-aqila. The Prophet Muhammad (SAW) legalized this system as part of Islamic law after the arrival of Islam, emphasizing the importance of shared responsibility and fairness in dealing with risks and losses in society. We find Islamic and conventional insurance demand to be negatively affected by GDP/capita, albeit the Islamic showing a greater resilience during crisis. A negative link between conventional insurance and saving rate shows that conventional saving products work as substitutes to conventional insurance. Higher average income is positively (negatively) related to Islamic insurance demand in the Middle East (ASEAN), a finding plausibly related to the different practices relating to Islamic finance in the two regions [5]

Sharia insurance is gaining significance on a global scale, especially among individuals and companies seeking financial solutions in line with Islamic religious principles. The basic concept of Islamic insurance emphasizes the principles of risk sharing and fairness, creating a more inclusive and transparent financial protection framework. In Islamic finance, Sharia insurance presents an essential alternative for those who wish to manage their risks in compliance with religious teachings. The principles on which Islamic insurance is based include the rejection of usury, speculation, and unethical practices in financial transactions. Instead, sharia insurance emphasizes the importance of fairness, shared responsibility, and adherence to the teachings of Islam. These principles are reflected in the contract structure used, where risks and rewards are fairly partitioned between the parties

involved and in selecting investments that adhere to the principles allowed in Islam. Sharia insurance should focus more on how to increase premium income through affordable insurance products for lower middle class people, so reaching larger markets will increase premium income and impact on asset improvements. From the results of this study it is advisable for further researchers to add other variables that affect the growth of assets not listed in this study, such as capital, solvency, and operating expenses. And using the approach with different test analysis, where independent variables in the test year tested with the dependent variable in the year to come [6]

Sharia insurance continues to grow not only in Muslim-majority countries but also in various parts of the world that recognize the value and potential of financial products that comply with Sharia principles. Along with the increasing demand from market segments increasingly concerned with the ethical aspects of finance, sharia insurance is considered a solution that enables individuals and companies to conduct their financial activities with integrity and conformity to religious beliefs. Although the importance of Sharia insurance has been recognized, several challenges still need to be overcome. One is the low public understanding of Sharia insurance products and their benefits. Some people may feel skeptical or unconvinced about the validity of Sharia insurance products, so they tend to avoid them. In addition, awareness of the importance of comprehensive financial protection, especially among the underprivileged, needs to be raised.

Based on this explanation, the author will analyze the role of Sharia insurance in providing sustainable financial protection based on Sharia principles in sharia insurance and its impact on the effectiveness of financial protection and fairness in handling risks, as well as how people respond to Sharia insurance products in the context of the need for financial security in accordance with religious values. Therefore, research on the role of Sharia insurance in providing sustainable financial protection is highly relevant. This research can help identify factors that influence the adoption of Sharia insurance, analyze its benefits to individuals and society, and develop strategies to increase public participation and understanding of its products. A better understanding of the role of Sharia insurance in providing sustainable financial protection can strengthen the Sharia financial system as a whole, thereby providing significant benefits to individuals and society.

II. METHODOLOGY

The type of research used in this research is library research (literature study) with a qualitative approach. The data used in this research is secondary data obtained from various sources such as journals, books, official reports, and other credible and relevant documents. The analysis method used is descriptive analysis, taking into account that the purpose of this study is to provide a detailed description of the role of Sharia insurance in providing sustainable financial protection and its impact on the effectiveness of financial protection and fairness in handling risks, as well as how people respond to sharia insurance products in the context of the need for financial security in accordance with religious values.

Data analysis in this study was carried out in three stages: data reduction, categorization, and verification. Data reduction in this study was carried out by selecting all data by cutting and simplifying existing data according to the research topic. Furthermore, the categorization of the reduced data was carried out in accordance with the research topic. The last stage is data verification to conclude, which is the researcher's interpretation of the data. Verification is carried out using triangulation techniques, namely comparing one data source with other data sources [7].

III. RESULTS AND DISCUSSION

3.1. Definition of Sharia Insurance

In the fatwa of the National Sharia Council No. 21 / DSN-MUI / IV / 2001, it is stated that Sharia Insurance (Tamin, Takaful, or Tadamun) is an effort to protect and help each other among several people/parties through investments in the form of assets and/or tabarru which provides a pattern of return to face certain risks through contracts (bonds) in accordance with Sharia.

Sharia insurance is a risk management arrangement that meets the provisions of Sharia, which involves mutual help from participants and operators. Sharia comes from the provisions in the Qur'an

and Sunnah. In the view of the Islamic economy, sharia insurance is known as *takaful*, which comes from the Arabic *taka-fala-yataka-falutakaful*, which means to bear or guarantee each other. In the sense of *muamalah*, *takaful* is a social guarantee among fellow Muslims so that one another is willing to bear each other's risks. In the Qur'an, the concept of *takaful* insurance is explained in Surah Al-Maidah verse 2 with the following explanation: "You who believe, do not violate the sanctuaries of Allah, and do not violate the honor of the sacred months, and do not disturb the had-ya animals, and the qalaa-id animals, and do not disturb those who visit the House of Allah while they seek grace and pleasure from their Lord; and when you have completed the pilgrimage, then hunting is permitted. And let not your hatred of a people, because they prevent you from the Sacred Mosque, lead you to do wrong to them. And help you in (doing) righteousness and piety, and do not help in sin and transgression. And fear Allah, surely Allah is severe in His punishment."

The explanation of the above verse emphasizes the importance of mutual assistance among mankind in terms of goodness. This principle is a fundamental element of Sharia insurance, which includes helping each other. In the context of Sharia insurance, steps to help fellow Muslims are carried out through voluntary contributions of good funds or *tabarru'*, which are then used to bear the financial risks of each Sharia insurance participant. In principle, the risk management mechanisms that are available under the Islamic finance framework tend to emphasize risk sharing rather than risk transfer and limit the use of conventional hedging mechanisms such as derivatives. This may have a double-edged effect as it limits for example the capacity of Islamic banks to manage their balance sheets but it also leads to a better resilience than conventional banks. Moreover, *Shariah* compliance risk raises unique challenges as a loss of confidence in the *Shariah* compliance framework may affect the liquidity and solvency of the Islamic financial system and may have serious implications in terms of systemic risk and financial stability [8].

3.2. History of Sharia Insurance

Although there is no clarity on when exactly insurance began to be practiced in Islam, it can be concluded that based on the characteristics of insurance contracts in force today, insurance transactions naturally existed before the time of the Prophet Muhammad (SAW) and continued to develop over time. This is evident from the increasing understanding and practice of insurance until the early 19th century. At that time, Ibn Abidin (1784-1836), a jurist from the Hanafi Mazhab, compiled an understanding, concept, and legal elements of insurance contracts that became the foundation for further development [9]

The development of insurance in Islam can be grouped into six stages :

1. The practice of the doctrine of *al-aqilah* among the ancient Arab tribes. Many encyclopedias confirm the fact that the characteristics of the practice of insurance are derived from ancient Arab practices where the practice of insurance became customary among the Arab tribes, i.e., when a member of a different tribe killed a member of a tribe, the heirs of the victim would receive a blood money payment as compensation paid by the killer's immediate family. The killer's immediate family was called *Aqila'* in Arabic terms. This reading of the Arabs of the time paying blood money appears to be financial protection for the family left behind by the death of the victim
2. The practice of the Prophet (SAW): The development of insurance practice during the time of the Prophet (SAW) can be explained by the example of the Arabs' acceptance of the practice of '*āqila'*'. The Prophet Muhammad accepted the concept of *āqila* as practiced by the Arab tribes. Several traditions can attest to this. For example, in a tradition narrated by Abu Hurairah r.a., he says that once, two women from the tribe of Huzail were fighting when one of them hit her opponent with a stone and killed the woman and the baby she was carrying. The victim's family took up the case with the Prophet, who ruled that the compensation for the unborn child was a male or female slave, while the compensation for the woman was blood money (*dyat*) to be paid by the '*āqila*' (the killer's relative). Based on this background, the payment of *diyat* is an example of mutual insurance as a community endeavor that is social but has economic implications. According to mutual insurance, every member is an insured and an insurer regardless of interest. It does not aim to make a profit, is

not a capitalist venture, nor does it seek to gain wealth from the losses of others. In essence, it is a social institution established to ease the burden of individuals by sharing the burden with members [9]

3. During the time of the Companions. Another development in the practice of insurance can be found during the caliphate of Umar r.a. During this time, the government increasingly encouraged the people to implement the doctrine of 'Aqila'. Umar ordered the establishment of Mujahideen 'Councils' in various regions, and those whose names were recorded in such councils were bound in beneficial cooperation to contribute in blood money of the slain of their tribe. Thus, during this period, the concept of 'aqila' developed during the time of Caliph Umar Sayedina Umar, which reflected elements of the insurance practice at this time.
4. Developments in the 14th - 17th centuries CE. In the 14th and 17th centuries, a Kaziruniyyah Sufi order was very active, especially in the port city of Malabar and China, in providing shipping insurance services.
5. Developments in the 19th century. During this period, Ibn Abidin (1784-1836 CE) was the first to discuss insurance and its legal elements. He was also the first to formulate insurance in positive law, no longer in the custom context. Ibn Abidin's opinion on the practice of insurance opened the eyes of Muslims who did not accept the legality of insurance and encouraged them to go into the insurance business. It was during this time that Muslims began to establish insurance companies.
6. The 20th century period. During this period, Muhammad Abduh issued two fatwas stating that insurance transactions are like mudharabah transactions and that transactions similar to life insurance are valid.

The history of the formation of the insurance industry in Indonesia is closely related to the rapid growth of businesses under Dutch colonial rule, especially in the plantation and trade sectors. During that time, spice, tobacco, and palm oil plantations, Indonesia's primary commodities, expanded rapidly. The Dutch government felt the need to protect their business from various risks, from the harvest period to the delivery of the products to their country. In this context, establishing an insurance industry became essential to protect their business. The development of insurance in Indonesia can be divided into two main periods: the colonial period and the independence period [9]

1. History of insurance development during the colonial period During the Dutch colonial period, to support the plantation and trade business, they established the first loss insurance company in Indonesia, namely Bataviasche Zee End Brand Asrantie Maatschappij in 1853 with the main protection against the risk of fire and transportation insurance. After that, there were two types of insurance protection consisting of insurance. For this reason, they established the first insurance company in Indonesia by name. The Dutch first established the birth of insurance in Indonesia under the name Nederlandse Indisch Leven Verzekering En Liefrente Maatschappij (NILMIY) by adopting the Dutch Insurance company De Nederlanden Van 1845. Later, after Indonesia's independence, this insurance was taken over by the Indonesian government, which changed its name to PT Asuransi Jiwasraya. Asuransi Jiwa Boemi Poetra followed it in 1912.
2. History of Insurance Development After the Independence Period In the period after independence, there were two essential stages of insurance development in Indonesia, namely:
 - a. Nationalization of foreign insurance companies. The Dutch colonial heritage insurance companies that were nationalized were NV Assurantie Maatshappij De Nederlandern and Bloom Vander EE in 1845 to become PT Asuransi Bendasraya. In addition, De Nederlanden Van Insurance 1845 was nationalized into PT Asuransi Jiwasraya.
 - b. Establishment and merger of new insurance companies. During the independence period, there were two necessary steps taken by the government with the development of insurance in Indonesia, namely the merger of PT Asuransi Bendasraya, which was engaged in rupiah insurance, and PT Umum Internasional Underwriters (PT UIU), which was involved in foreign exchange insurance into PT Asuransi Jasa Indonesia or better known as Asuransi Jasindo. In addition to insurance mergers, the government also established several new insurance companies to support the welfare of the community, namely Asuransi Jasa Rahardja to protect

the public from the risk of traffic accidents, Perum Taspen for Public Employee Savings and Insurance Perum Asabri for members of the Armed Forces of the Republic of Indonesia, and Jamsostek, which is private company labor accident insurance.

The development of the modern insurance industry in Indonesia experienced a significant surge in the early 1980s with the emergence of various new insurance companies. Names such as AIA Financial, Allianz, Avrist AXA Mandiri, CIGNA, Prudential, and Asuransi Sinar Mas were among the many companies that emerged, offering a variety of protection and even investment products. This presence gives people more alternatives in getting protection against the risks they face. Meanwhile, the government has also been increasingly responsive to the public's need for protection, as reflected by establishing the Health and Employment Social Security Organizing Agency (BPJS) in 2014. This agency combines functions and roles previously carried out by Jamsostek and Askes in the previous period. The establishment of Asuransi Takaful Indonesia on August 25, 1994, was an initiative of the Indonesian Takaful Insurance Establishment Team (TEPATI), which was initiated by the Indonesian Muslim Intellectual Association (ICMI) through the Abdi Bangsa Foundation, Bank Muamalat Indonesia, Tugu Mandiri Life Insurance, the Ministry of Finance, and several Indonesian Muslim entrepreneurs. This establishment was formalized through the Decree of the Minister of Finance Number Kep-385/KMK.017/1994. This step was encouraged by the presence of Bank Muamalat Indonesia, with the belief that Islamic financial institutions need support from Islamic insurance institutions to strengthen capital and build public trust.

PT Syarikat Takaful Indonesia (PT STI) was established as a Holding Company on February 24, 1994, through a national seminar and a study visit to Takaful Malaysia. Under the auspices of PT STI, subsidiaries were established, namely PT Asuransi Takaful Keluarga (Life Insurance) and PT Asuransi Takaful Umum (General Insurance). The operational license for PT Asuransi Takaful Keluarga was granted on August 4, 1994, and inaugurated by the Minister of Finance, Mar'ie Muhamad, on August 25, 1994. Meanwhile, PT Asuransi Takaful Umum was inaugurated on June 2, 1995, through Minister of Finance Decree No. 247/KMK.017/1995, by Minister of Research and Technology/Chairman of BPPT, B.J. Habibie.

3.3. Legal Basis of Sharia Insurance

In general, the legal basis or operational regulation of Sharia Insurance is based on two main categories of legal sources: Islamic law and Positive law.

1. Islamic law

- a. The Al-Qur'an. Does not explicitly mention the legal practice of insurance. The term "insurance" in any form, such as at-ta'min or at-takaful, is not found in the Qur'an. However, although it does not directly mention insurance, the verses in the Qur'an contain relevant concepts and fundamental values relating to the practice of insurance. The Al-Qur'an guides solidarity, mutual aid, and social responsibility, which are the values underlying insurance practice. Therefore, while there is no direct explanation of insurance in the Qur'an, its verses provide a strong moral foundation for practicing insurance in accordance with Islamic principles. It is just that we, as humans, are also commanded to plan for the future. Allah says in QS. al-Hasyr verse 18: "Believers, fear Allah and let each of you consider what he has done for tomorrow (hereafter); and fear Allah, verily Allah knows best what you do."

In this verse, we are commanded to plan what we will do. This is not rejecting Allah's destiny but only human efforts to prepare for a better future.

- b. Sunnah of the Prophet. Al-sunnah refers to the way or practice that becomes customary in applying the teachings of Islam or as an example of action in accordance with the example of the Prophet Muhammad SAW and his companions, which is based on the instructions contained in the Qur'an.

"The example of believers in affection, love and compassion for each other is like a body; if one part suffers from pain, the other parts will also suffer" (HR Muslim from Nu'man bin Bashir).

“Whoever relieves a Muslim of a difficulty in this world, Allah will relieve him of a difficulty on the Day of Resurrection; and Allah always helps His servant as long as he helps his brother” (HR Muslim from Abu Hurairah).

In insurance, this hadith implies that the concept of *tabarru'*, a voluntary contribution or payment to a social fund, is evident. From the beginning, insurance companies set aside a portion of the funds received from their members for social purposes. This reflects the company's commitment to help and ease the affairs of its brethren who experience unexpected calamities or disasters. Thus, this hadith emphasizes the importance of solidarity and mutual assistance in Islamic insurance, where funds contributed by members are used to help others in difficult or emergencies.

- c. *Ijtihad* The legal basis for *ijtihad* in sharia insurance is in the form of *fatwa sabahat*, consensus, *qiyas*, and *ihtisan*
 - d. *Fatwa of the Companions*. The practice of the Companions regarding the payment of punishment (compensation) was carried out by the Prophet's Companion, namely Caliph Umar bin Khattab. He said: The people listed in the *diwan* (list) are entitled to receive assistance from each other and must contribute to the payment of compensation for involuntary manslaughter
 - e. *Ijmak*. The Companions had carried out an *ittifaq* (agreement) regarding the *aqilah* implemented by Caliph Umar bin Khattab. This agreement was seen in the absence of other companions who opposed the implementation of the *aqilah*. The absence of companions who opposed what Umar did shows there was consensus among the companions. So, the consensus of scholars has agreed and agreed on the law and practice of insurance in the Islamic insurance conference.
 - f. *Qiyas* is a method of *ijtihad* to equalize the law of a matter for which there is no provision in the Al-Quran and Sunnah because of the similarity of *illat* (cause or reason).
 - g. *Istihasan*. It is considered as good that which diverts the mind of a *mujtahid* from the clear guidance of *qiyas* to a vague *qiyas* or from a general ruling to an exception because there is a consensus of thought that favors the move just as the virtue of the *Aqilah* custom among the ancient Arabs lay in the fact that it could replace bloody revenge.
2. *Positif law*

Positive Law Sharia insurance operations are based on positive law currently in force in Indonesia, namely Law No. 2 of 1992 concerning Insurance Business and Government Regulation No. 63 of 1999 concerning Amendments to Government Regulation No. 73 of 1992 concerning the Implementation of Insurance Business. More technically, the operations of insurance companies/reinsurance companies based on Sharia principles refer to Decree of the Director General of Financial Institutions No. 4499/LK/2000 concerning Types, Valuation, and Investment Restrictions of Insurance Companies and Reinsurance Companies with Sharia Systems and several Decrees of the Minister of Finance (KMK), namely KMK No. 422/KMK. 06/2003 on the Business Implementation of Insurance Companies; KMK No. 424/KMK. 06/2003 on Financial Health of Insurance and Reinsurance Companies; and KMK No. 426/KMK. 06/2003 on Business Licensing and Institutionalisation of Insurance and Reinsurance Companies.

3.4. Principles of Sharia Insurance

The main principles in sharia insurance are *ta'awunu 'ala al birr wa al-taqwa* (help each other in goodness and piety) and *al-ta'min* (security). This principle makes the members or participants of insurance a large family, with each other guaranteeing and bearing the risks of each other [10]. The basic principles of Islamic insurance are [11]:

1. *Tawhid*, is the primary basis of Islamic Sharia, every activity of human life must be based on the values of *tawhid*, meaning that every step and legal building must reflect divine values.
2. *Justice*, in insurance, is the fulfillment of the values of justice between the parties bound by an insurance transaction contract.

3. Helping hands, a person who enters insurance from the beginning must have the intention and motivation to help and ease the burden of his friend who gets a disaster or loss at some point.
4. Cooperation in the insurance business can take the form of a contract used as a reference between the parties involved, namely between members (customers) and insurance companies.
5. Amanah, the principle of trust in the company's organization can be manifested in the company's values of accountability (responsibility) through the presentation of financial statements each period.
6. Willingness, the principle of willingness, can be applied to each insurance member to motivate them to give up some funds (premiums) deposited to the insurance company, which functions as a social fund. Social funds help other insurance members if they experience a disaster.
7. It does not contain gharar (uncertainty) in accordance with the contract that has been agreed upon, the terms of exchange must be clear, and there must be no uncertainty in the contract.

3.5. Insurance Benefits

Insurance can provide benefits for insurance participants, among others, as follows:

1. Financial Protection: Insurance provides financial protection for participants facing certain risks, such as illness, accident, or death. By paying premiums, participants can ensure that they and their families will get the necessary insurance claims to overcome possible financial losses.
2. Peace of Mind: With the right insurance policy, participants can feel calmer and safer because they know they are protected from various risks. This helps reduce the stress and anxiety associated with financial uncertainties that may occur in the future.
3. Emergency Fund Organisation: Insurance can also serve as an emergency fund provider. In emergencies such as accidents or serious illnesses, insurance claims can provide the funds needed for medical expenses, recovery, or daily needs if participants are temporarily unable to work.
4. Increased Access to Health Care: Health insurance can help participants get better access to necessary health care without worrying about high costs. This allows participants to get timely medical treatment and prevent conditions from worsening due to treatment delays.
5. Business Risk Management: For business owners, insurance is also essential in managing the risks associated with business operations. Business insurance can protect businesses from financial losses caused by fire, theft, or lawsuits that may arise in daily business activities.

Sharia insurance will benefit the participants who pay contributions as their guarantee deposits if Sharia insurance in Indonesia is more efficient because Sharia insurance will give a refund in insurance claims paid which are more beneficial. Besides, if Islamic insurance is able to run its operations efficiently, it will further increase the value added of the insurance and will increase public trust in Islamic insurance. Hence, this trust level can develop Islamic insurance's development by increased profits level [12].

3.6. Application of Akad in Sharia Insurance

Sharia insurance is the practice of responsibility among fellow participants. When one of the participants experiences an insured risk, it will get a claim from the participants themselves. When insurance participants participate in the Islamic insurance company program, they will be given a contract. Islamic insurance operators receive a variety of compensations including (i) a *wakalah* fee, where the *takaful* operator receives a fixed proportion of the premium as an agency fee; (ii) a *mudarabah* share, where the operator invests the premium pool and receives a share in the profit; and (iii) performance fee or a share in insurance surplus.

The agreement given must be in accordance with Sharia, which does not contain gharar (fraud), maysir (gambling), usury, zhulm (persecution), risywah (bribery), prohibited goods and immorality. These agreements are : [13]

1. Tabarru' Agreements are all contracts made for benevolence and mutual assistance, not solely for commercial purposes. In tabarru' (grant) contracts, participants provide grants that will be used to

help other participants who are affected by disasters. Meanwhile, the company is a grant fund manager (Fatwa DSN MUI No: 21/DSN-MUI/X/2001, 2014). Tabarru' Akad is a grant Akad in the form of granting funds from one Participant to the Tabarru' Fund to help among the Participants, not for commercial purposes (Minister of Finance Regulation Number 18/PMK.010/2010 on the Application of Basic Principles for the Implementation of Insurance Business and Reinsurance Business with Sharia Principles).

2. Akad Tijarah is a contract made for commercial purposes. The form of the contract uses mudhorobah. The type of tijarah contract can be converted into a tabarru' type of contract if the party whose rights are withheld willingly waives his rights to fulfill the obligations of the party who has not fulfilled his obligations. This tijarah contract is to manage the premium money that has been given to the Islamic insurance company as the manager (Mudorib), while the customer is the owner of the funds (shohibul mal). When the agreement period expires, the premium money agreed upon with the tijarah contract will be returned along with the profit sharing.

For tijarah contracts in insurance, several contracts follow in their implementation. These contracts include:

- a. *Akad Wakalah bil Ujrah* is a *Tijarah Akad* that authorizes the Company as the Participant's representative to manage the *Tabarru' Fund* and/or the Participant's Investment Fund in accordance with the power or authority given in return for an *ujrah* (fee) (Minister of Finance Regulation Number 18/PMK.010/2010 concerning the Application of Basic Principles for the Implementation of Insurance Business and Reinsurance Business with Sharia Principles). *Akad Wakalah bil Ujrah* is allowed in Islamic insurance practices carried out between Islamic insurance companies and participants, where the position of Islamic insurance companies as managers is to get fees because they have received power of attorney from participants.
- b. *Mudharabah Akad* is a *tijarah Akad* that authorizes the company as *mudharib* to manage the investment of *tabarru' funds* or participant investment funds, in accordance with the power or authority given, in return for a profit sharing (*nisbah*) whose amount has been agreed upon in advance.
- c. *Akad Mudharabah Musytarakah*, is a *Tijarah Akad* that authorizes the company as a *mudharib* to manage the investment of *Tabarru' Funds* and/or investment funds of participants, which are combined with the company's assets, in accordance with the power or authority given in return for profit sharing (*nisbah*), the amount of which is determined based on the composition of the combined wealth and has been agreed upon in advance. (Minister of Finance Regulation Number 18/PMK.010/2010 concerning applying Basic Principles for implementing Insurance Business and Reinsurance Business with Sharia Principles). The fatwa of the National Sharia Council No: 51/DSNMUI/ III/2006 concerning *Mudharabah Musytarakah Akad* in Sharia Insurance states that Islamic insurance companies can carry out this contract because it is part of *mudharabah* and is a combination of *Mudharabah* and *Musytarakah* contracts. *Mudharabah Musytarakah* is a contract where the capital of the Islamic insurance company and the customer are combined to be invested, and the position of the Islamic insurance company as a manager [14]

3.7. Types of Sharia Insurance

Specifically, there are several common types of Sharia insurance, namely :[10]

1. *Takaful* is a form of collective insurance in which participants contribute to a common fund to pay claims. *Takaful* avoids the elements of *riba* (interest), *maysir* (gambling), and *gharar* (excessive uncertainty).
2. *Soul Takaful* Islamic life insurance provides financial protection to beneficiaries in the event of the policyholder's death. Each participant pays a contribution that will be used to pay claims if one of the participants dies.
3. *Health takaful* Islamic health insurance protects against medical and healthcare costs. A common fund is used to pay for participants' medical treatment costs.

4. Vehicle Takaful, Sharia vehicle insurance that protects against vehicle damage and legal liability to third parties in traffic accidents.
5. Property takaful, Sharia property insurance that protects against damage or loss of property such as homes, businesses, or other valuables.
6. Education Takaful, Shariah insurance designed to provide education funds for the insured's children or family.
7. Travel Takaful, Shariah travel insurance that protects against risks during travel, such as trip cancellation, loss of baggage, or travel accidents.
8. Pensii Takaful, A sharia insurance product designed to help participants plan for retirement and provide a stable retirement income.
9. Takaful Income Protection is insurance that protects against loss of income due to injury or illness that results in inability to work.

Each type of Sharia insurance operates according to Sharia principles, including risk sharing, avoidance of haram elements, and adherence to Islamic business ethics.

Since 1980, insurance products have not only focused on insurance [15], but many insurance providers have also offered investment features. In sharia insurance, funds must be invested in objects that are halal-thoyyibah, in various types of sharia insurance companies are called unit-linked insurance products. This product is experiencing exponential growth because it offers benefits in addition to protection and a return on investment that will be obtained by unit-linked customers. A Sharia-linked unit is an alternative product that middle-class Muslims can use to manage their finances [16]. Eventhough there has been substantial development, many people still do not understand the product's system [17]

Conventional and Islamic insurance have fundamental differences in principles, structure, and operational practices. Companies are established to get the maximum profit for the owner of the company and also at the same time for the shareholders. The worth of a corporation increases with its profit margin. A high valuation is automatically associated with both strong performance and promising future prospects for the company [18]

3.8. Implementation of Sharia Insurance as Sustainable Financial Protection

Sharia insurance as a sustainable financial protection endeavor involves incorporating Islamic economic principles to ensure the long-term financial well-being of individuals, families, and society. Here are some points that explain this concept:

1. Sustainability principle: Sharia Insurance prioritizes sustainability in managing financial risks by paying premiums regularly and managing funds in accordance with Sharia principles. This insurance program is designed to provide stable and sustainable long-term protection.
2. Risk protection: Sharia insurance protects against various financial risks that individuals or families, such as illness, accident, or death, can experience. By paying a premium, participants can be assured they will receive financial benefits if they experience an insured event.
3. The concept of shared prosperity: Sharia insurance prioritizes the principle of shared prosperity, where participants participate in risk sharing with other members of the insurance community. The premium funds collected are used to pay claims submitted by participants who experience losses so that the community supports each other in overcoming financial risks.
4. Sustainable investment: Part of the funds collected from premium payments in Islamic insurance can be allocated to financial instruments that comply with Sharia principles, such as Sharia stocks or Sukuk bonds. These investments aim to earn sustainable returns, which can be used to pay claims, increase participants' funds, or support projects that benefit the community.
5. Financial Education and Counselling: In addition to providing financial protection, Sharia insurance also offers financial education and counseling services to its participants. The aim is to improve their understanding of risk management, financial planning, and investment in accordance with Sharia principles. Thus, participants can achieve sustainable financial well-being in the long run.

The implementation of Islamic insurance in providing sustainable financial protection involves several key steps and principles that include:

1. **Compliance with Sharia principles:** The implementation of Islamic insurance must fully comply with Islamic Sharia principles, including the prohibition of *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation). This requires designing insurance products that comply with religious principles and managing premium funds and investments that meet Sharia standards.
2. **Transparency and accountability:** Islamic insurance companies must maintain high transparency and accountability in all their operations. This includes the management of premium funds, settlement of claims, and investment of *tabarru'* funds. Participants should be provided with clear information on managing and utilizing their funds.
3. **Education and awareness:** Implementing Islamic insurance must involve efforts to increase public understanding and awareness of Islamic insurance products and their benefits. Comprehensive financial education services can help participants understand the importance of financial protection and how to utilize it optimally.
4. **Community participation:** Islamic insurance emphasizes the concept of shared prosperity, where all members of the insurance community share risks. Successful implementation involves the active involvement of all community members in premium payment, risk management, and support for members who experience losses.
5. **Product and service innovation:** Islamic insurance companies should continue to innovate in the products and services they offer, according to the needs and preferences of the community. This includes developing insurance products that align with contemporary needs, improving customer service, and utilizing information technology.

Good corporate governance is a set of rules that govern relationships between shareholders, management, creditors, government, employees, and other internal and external stakeholders with respect to the rights and obligations of each party [19]. By following these principles and implementing appropriate measures, Islamic insurance can be an effective means of providing sustainable financial protection for individuals and communities, as well as emphasizing sustainable risk management, community empowerment, and profitable investments, taking into account ethical and spiritual values in every aspect of its business activities while adhering to the religious principles of Islam.

IV. Conclusion

The history of Sharia insurance demonstrates the continued application of the principles of justice, mutual aid, and adherence to Islamic teachings in a modern financial context. In this view, sharia insurance is not just a financial product but also an influential cultural and spiritual heritage for Muslim communities in various parts of the world.

With strong principles, extensive benefits, and Sharia-compliant contracts, Sharia insurance is a suitable option for individuals and companies who wish to fulfill their financial protection needs in accordance with Islamic religious beliefs and values. As a result, Islamic insurance is not just a financial product but an instrument that strengthens the relationship between individuals, society, and Islamic teachings in the context of the modern economy.

Overall, the role of sharia insurance in providing sustainable financial protection has a significant impact. By implementing the principles of Islamic Sharia, Sharia insurance offers financial protection based on religious values, focusing on shared prosperity and sustainable risk management. In addition to providing financial security against various risks such as illness, accident, or death, Islamic insurance offers financial education services to its participants. Investing premium funds in Islamic financial instruments brings long-term benefits to participants and society. Therefore, sharia insurance is a means of financial protection and an integral part of the sharia financial system that promotes economic and spiritual well-being in society.

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