



The Role of the Sharia Supervisory Board in Sharia Insurance: Responsibilities and Functions

¹Mhd Ilham Nst, ²Mutya Fradilla Budiman, ³Dewi Lestari, ⁴Diah Sisca, ⁵Fara Nazla

^{1,2,3,4,5}Universitas Islam Negeri Sumatera Utara

E-mail: ¹inst3031@gmail.com, ²mutyafradillabudiman28@gmail.com, ³dewilestari12id@gmail.com,
⁴Diahsisca26@gmail.com, ⁵Nazlafara96@gmail.com

Info Articles	Abstract
Article History Received : 2025-04-6 Revised: 2025-05-10 Published: 2025-05-30 Keywords: <i>Sharia Supervisory Board; sharia insurance; sharia compliance</i>	This study aims to examine the role, responsibilities, and functions of the Sharia Supervisory Board (SSB) in Islamic insurance. The SSB plays a strategic role in ensuring that all Islamic insurance operations and products comply with Islamic principles, as stipulated in fatwas and applicable regulations. The SSB's primary responsibilities include supervising, advising, and validating products and contracts used by Islamic insurance companies. This function encompasses oversight of the implementation of Islamic contracts such as <i>mudharabah</i>, <i>wakalah</i>, and <i>tabarru'</i>, as well as periodic evaluation of Islamic compliance. Furthermore, the SSB is tasked with providing recommendations for system and policy improvements to minimize potential Islamic deviations. Using a qualitative descriptive approach, this study found that the SSB acts not only as a supervisor but also as a strategic partner in the development of innovative Islamic insurance products. The conclusion suggests that an active and competent SSB is key to maintaining Islamic integrity and customer trust in the Islamic insurance industry.

I. INTRODUCTION

Sharia insurance is a financial instrument that is growing rapidly in Indonesia, along with increasing public awareness of the importance of financial products that comply with sharia principles.(Jannah & Nugroho, 2019)In this context, the Sharia Supervisory Board (SSB) plays a vital role. It is tasked with ensuring that all products and services offered by sharia insurance companies comply with sharia principles, thereby providing a sense of security and comfort to customers.(Ilyas, 2021).

The role of the Sharia Supervisory Board (SSB) extends beyond supervision to issuing fatwas and recommendations regarding insurance products. Fatwas issued by the SSB serve as a reference for companies in designing products that comply with Islamic law. Thus, the SSB serves as a bridge between Sharia principles and the business practices of insurance companies. In carrying out its functions, the SSB must possess a deep understanding of Sharia law and insurance practices. This is essential for providing accurate and objective assessments of the products offered. Furthermore, the SSB must be able to adapt to the

ever-changing developments in the Sharia insurance industry, thus providing relevant and innovative input.(Dianto & Majid, 2025).

The DPS also plays a role in increasing public understanding and awareness of sharia insurance. Through outreach and education, the DPS can help the public understand the benefits and advantages of sharia insurance products compared to conventional products. This is crucial to attracting public interest in choosing sharia insurance as an alternative financial protection.(Dianto & Majid, 2025).

The Sharia Supervisory Board's responsibilities encompass not only legal aspects but also ethical and moral aspects. In carrying out its duties, the Sharia Supervisory Board must ensure that all business practices are conducted in a fair and transparent manner. This is crucial for maintaining the integrity of the Sharia insurance industry and building public trust in the products offered. Furthermore, the Sharia Supervisory Board is also responsible for conducting audits and evaluations of Sharia insurance products on the market. These audits aim to assess the

company's compliance with Sharia principles and identify potential violations. By conducting regular evaluations, the Sharia Supervisory Board can provide recommendations for improvements necessary to maintain product quality.(Rachman et al., 2023).

The Sharia Supervisory Board (SSB) also plays a role in driving innovation in sharia insurance products. By providing input and recommendations, the SSB can assist insurance companies in developing products that better meet the needs of the community. This innovation is crucial for maintaining the competitiveness of the sharia insurance industry amidst increasingly fierce competition. Globally, the role of the SSB is becoming increasingly crucial with the growing interest in sharia finance in various countries. With a competent SSB, sharia insurance companies in Indonesia can compete in the international market and attract foreign investors. This will positively impact the growth of the sharia insurance industry in Indonesia.(Intia & Azizah, 2021).

Overall, the role of the Sharia Supervisory Board in Islamic insurance is complex and multifaceted. The responsibilities and functions of the Sharia Supervisory Board (SSB) focus not only on Sharia compliance but also encompass aspects of education, innovation, and ethics. By effectively carrying out this role, the SSB can help ensure the growth and development of the Islamic insurance industry in Indonesia, while maximizing benefits to the community. Therefore, a thorough understanding of the SSB's roles and responsibilities in Islamic insurance is crucial for creating a healthy and sustainable financial ecosystem. Through strict oversight and a commitment to Sharia principles, the SSB can contribute to the development of a better Islamic insurance industry in the future.

II. RESEARCH METHODS

This study uses a qualitative approach with descriptive methods to analyze the roles, responsibilities, and functions of the Sharia Supervisory Board (SSB) in Islamic insurance. This approach aims to understand the phenomenon in depth through data collection

from interviews, documentation, and literature review.(Moleong, 1993).

This qualitative descriptive study aims to provide a detailed overview of the roles and responsibilities of the Sharia Supervisory Board (SPS) in Sharia insurance. The focus of the study is on the oversight of the implementation of Sharia principles in Sharia insurance operations, including product validation, contract supervision, and the SPS's relationship with internal and external parties.

The research was conducted at several Islamic insurance companies in Indonesia. Subjects included members of the Sharia Supervisory Board (SPS), Islamic insurance company management, and related parties such as regulators and academics with expertise in Islamic economics.

III. RESULTS AND DISCUSSION

A. Sharia Supervisory Board

The Sharia Supervisory Board (SSB) is a body responsible for overseeing and ensuring the implementation of provisions established by the National Sharia Council (NSC) within Islamic financial institutions. The appointment and dismissal of SSB members is carried out through a formal mechanism at the General Meeting of Shareholders (GMS) upon the recommendation of the NSC.(Faozan, 2014). DPS operates under the auspices of the GMS or is equivalent to the main commissioner, with the main responsibility to ensure that all activities of Islamic financial institutions are in accordance with the sharia principles established by the DSN.(Saputra et al., 2024).

The DPS's primary function includes providing advice and guidance to directors, heads of sharia business units, and heads of sharia branches on matters related to sharia. Furthermore, the DPS also acts as a liaison between sharia financial institutions and the DSN, particularly in conveying recommendations, criticisms, or proposals that require further study and fatwas from the DSN.(Dianto & Majid, 2025).

As a representative of the National Sharia Board of Directors (DSN), the Sharia Supervisory Board (SSB) is tasked with ensuring the

implementation of DSN fatwas in the operations of Islamic financial institutions. The fundamental difference between Islamic and conventional financial institutions lies in the application of sharia principles in every aspect of their operations. To maintain compliance with sharia, the leaders and managers of Islamic financial institutions are required to have a thorough understanding of the principles of Islamic transactions. Under Law No. 21 of 2008 concerning Islamic Banking, every Islamic financial institution, both Islamic commercial banks and Islamic business units, is required to establish a SSB. This board is responsible for providing advice and criticism, as well as ensuring that the institution's operational activities consistently comply with sharia regulations.(Wijaya, 2021).

B. Duties and Responsibilities of the Sharia Supervisory Board (DPS)

Indonesian Ulema Council (MUI) Decree Number 2 of 2000 and MUI Decree Kep-98/MUI/2001 provide a clear basis for the role and responsibilities of the Sharia Supervisory Board (SSB) in ensuring that the operations of Islamic Financial Institutions (LKS) consistently comply with sharia principles. The decree mandates the SSB to provide advice and suggestions to the Board of Directors and the institution's leadership regarding fundamental matters related to the basic concepts of sharia. Furthermore, the SSB is responsible for actively and passively supervising the implementation of fatwas issued by the National Sharia Council (DSN), as well as monitoring the products, services, financing, and operational activities of LKS, particularly Bank Muamalat.(Kurrohman, 2017).

The DPS is also obligated to formulate issues requiring approval or further discussion at the DSN level and to submit regular reports on the development of the LKS to the DSN at least once a year. Accordingly, MUI Decree Kep-98/MUI/2001 emphasizes the role of the DPS as an entity obligated to conduct regular supervision, submit product development proposals, and regularly report on the operational progress of the LKS. This demonstrates the DPS's strategic role in maintaining sharia integrity within the Islamic

financial system in Indonesia, as well as acting as an active liaison between sharia business actors and the national fatwa authority.(Faozan, 2014).

C. Regulations Governing DPS in Sharia Insurance

The Sharia Supervisory Board (SSB) holds a strategic position in Islamic insurance as the primary supervisor, ensuring that the company's operational activities comply with sharia principles. To carry out its duties, the SSB operates based on various regulations established by relevant authorities, both nationally and internationally. These regulations aim to provide a clear legal and operational framework for the SSB to function effectively and consistently. One of the regulations that underpins the SSB's existence is Law No. 21 of 2008 concerning Sharia Banking, which also covers other sharia financial institutions such as insurance.(Sultoni, 2019).

Law No. 21 of 2008 concerning Sharia Banking serves as the primary foundation for the management of sharia financial institutions in Indonesia, including sharia insurance. This law stipulates that every sharia financial institution is required to have a Sharia Supervisory Board (SSB) tasked with overseeing compliance with sharia principles. The appointment of SSB members must be approved by the National Sharia Council (DSN), which acts as the highest fatwa authority. This regulation ensures that the SSB has strong legitimacy to carry out its supervisory duties.(Rahman et al., 2020).

The Financial Services Authority (OJK) also plays a crucial role in regulating the Sharia Supervisory Board (SSB) through regulations related to the governance of sharia insurance companies. One important regulation is OJK Regulation No. 69/POJK.05/2016 concerning the Implementation of Insurance Business. In this regulation, the OJK emphasizes that every sharia insurance company is required to establish a SSB that reports directly to the National Sharia Supervisory Board (DSN). The SSB is also required to periodically report the results of its sharia supervision to the OJK. This demonstrates the crucial role of the SSB as both a guardian of sharia

compliance and a regulatory partner in ensuring industry integrity.

The DSN fatwa serves as a technical guide for the Sharia Supervisory Board (SSB) in carrying out its duties. The DSN, which is under the auspices of the Indonesian Ulema Council (MUI), issues various fatwas related to sharia insurance products, contracts, and operations. For example, DSN Fatwa No. 21/DSN-MUI/X/2001 concerning General Guidelines for Sharia Insurance provides guidance on the basic principles that must be followed in the implementation of sharia insurance. This fatwa serves as a reference for the SSB to ensure that the products and services offered by the company comply with sharia law. In addition to external regulations, the SSB is also subject to sharia-compliant internal corporate governance. In this regard, the SSB must ensure that the company's organizational structure, policies, and procedures are designed to comply with sharia requirements. These regulations are typically adopted from international standards established by institutions such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). These standards provide technical and operational guidance regarding the sharia supervision that the SSB must carry out.(Heradhyaska & Pamesti, 2021).

Regulations also govern the working relationship between the Sharia Supervisory Board (SPS) and company management. The SPS has the authority to provide advice and recommendations to the board of directors regarding sharia aspects. Regulations ensure that SPS recommendations are binding on matters related to sharia compliance. Furthermore, the SPS is also obligated to submit reports on its supervisory results to the board of directors, commissioners, and shareholders through the general meeting of shareholders (GMS).(Saputra et al., 2024)This relationship is regulated to ensure that the DPS can carry out its duties independently and transparently.

The regulations governing the DPS also include competency and qualification requirements for its members. The Financial Services Authority (OJK) and the National Sharia Council (DSN) stipulate that DPS members must possess a thorough

understanding of Sharia law, particularly as it relates to transactions and insurance. Furthermore, DPS members must understand the operational principles of the insurance business to provide relevant and applicable guidance. These requirements aim to ensure that the DPS has sufficient capacity to carry out its supervisory function.

D. The Relationship between the Sharia Supervisory Board and the National Sharia Council: Roles, Challenges, and Solutions

The Sharia Supervisory Board (SSB) plays a strategic role in bridging the operations of Islamic financial institutions with the national fatwa authority, the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). In its implementation, the SSB acts not only as a management advisor on sharia aspects but also as an internal supervisor responsible for ensuring the financial institution's operational compliance with sharia principles. The SSB serves as a vital link between the technical practices of financial institutions and the DSN's fatwas, including when submitting issues or proposing new products that require fatwa issuance.(Tarina et al., 2023).

The DSN-MUI itself acts as the authority authorized to issue fatwas on sharia financial activities and determines the eligibility criteria for ulama to become members of the Sharia Supervisory Board (SPS) in various institutions. The DSN is also responsible for issuing warnings to financial institutions that deviate from sharia principles and overseeing sharia financial products and services through guidelines established in the form of fatwas. These guidelines serve as the basis for the SPS to supervise and certify products and services at the financial institutions where they work.(Ilyas, 2021).

The formal relationship between the DPS and the DSN has been established in several regulations, such as the Decree of the Indonesian Banking Council No. 32/34/KEP/DIR of 1999, which requires Islamic financial institutions to obtain a fatwa from the DSN before undertaking new operations that have not yet been issued a fatwa. In this context, the DSN is the sole national authority with the authority to establish laws

regarding Islamic financial activities, in order to prevent differences in fatwas between DPSs that could confuse the public.(Sultoni, 2019).

However, the DPS's strategic role faces various challenges stemming from legal, organizational, human resource, and infrastructure aspects. Legally, not all types of sharia business units have a strong legal basis for implementing their sharia supervisory function. While sharia banking already has legal provisions under Law No. 21 of 2008 and various other supporting regulations, sharia business units in the non-bank sector still rely on regulatory-level regulations, such as the Regulation of the Chairman of Bapepam-LK, without specific legislative support. This lack of a solid legal basis results in the disregard of DPS recommendations and has the potential to undermine public trust in the sharia financial industry.

Organizationally and managerially, challenges arise from the lack of a hierarchical supervisory structure that would allow the Sharia Supervisory Board (SPS) to comprehensively oversee Islamic financial institutions down to the lowest operational level. Currently, the SPS is limited to the head office, without support from supervisory units in branch offices or other units. However, an effective supervisory system requires a structured, connected, and hierarchical SPS organization, extending from the DSN-MUI down to the lowest operational level.(Ilyas, 2021)With a tiered reporting system from branch to central and then to the DSN-MUI, supervision will be more focused, consistent, and easily audited.

From a human resources perspective, the main problem lies in the quality and qualifications of the SSB members themselves. Many SSB members are appointed based on their reputation as religious figures, without considering their technical competence and understanding of financial regulations, business law, and Islamic banking mechanisms. However, to carry out their duties effectively, SSB members need a deep understanding of Islamic jurisprudence (fiqh) and a mastery of civil law, banking, and modern business. A rigorous recruitment process and ongoing training are needed for SSB members to ensure they can carry out their duties

professionally and in accordance with international supervisory standards, such as the principles established by the Basel Committee.(Dianto & Majid, 2025).

Another issue hampering the effectiveness of the DPS is limited supporting facilities and infrastructure. Many Islamic banks do not provide adequate facilities such as workspace, computers, internet access, or transportation for the DPS. These facilities are crucial for efficient and integrated supervision. Adequate facilities also enable the DPS to collaborate, discuss, and evaluate issues more comprehensively with fellow supervisors and senior supervisors.(Rahman et al., 2020).

Considering these issues, comprehensive improvements are needed to the sharia supervisory system in Indonesia. Strengthening the legal basis, restructuring the Sharia Supervisory Board (SPS), improving human resource quality, and meeting infrastructure needs are crucial aspects that must be addressed immediately. These steps are key to ensuring the SPS can optimally fulfill its strategic role as the vanguard in maintaining the purity of sharia principles in the Indonesian Islamic financial industry.

IV. CONCLUSION AND SUGGESTIONS

A. Conclusion

The Sharia Supervisory Board (SSB) plays a crucial role in ensuring compliance by Islamic financial institutions with the fatwas issued by the National Sharia Council (DSN). Although the SSB has the authority to conduct oversight and reporting, its implementation remains suboptimal. Most warnings still come from other authorities, such as Bank Indonesia. This reflects the need to strengthen the structure and system of sharia supervision to be more independent, integrated, and professional.

B. Suggestion

To improve the effectiveness of sharia supervision, it is necessary to strengthen the Sharia Supervisory Board (DPS) through competency training, increased independence, and clear regulatory support. The National Sharia

Supervisory Board (DSN) must also encourage the establishment of an integrated and modern supervisory system, utilizing technology and involving certified sharia auditors. Synergy between the DPS, the DSN, and national financial authorities must be strengthened to create a transparent and sustainable supervisory system. Furthermore, it is crucial to establish the DPS as a body that not only provides administrative supervision but also plays an active role in education and the development of sharia products in accordance with Islamic principles.

REFERENCE LISTAN

- Dianto, I., & Majid, A. (2025). The Role of the National Sharia Council of the Indonesian Ulema Council and the Sharia Supervisory Board in the Implementation of Sharia Contracts in Indonesian Islamic Banking. *Syarikat: Journal of the Sharia Economic Cluster*, Vol.8(No.1), pp.66-78.
- Faozan, A. (2014). Optimizing the Role of the Sharia Supervisory Board in Islamic Financial Institutions. *El-Jizya: Journal of Islamic Economics*, 2(1), 23–40.
- Heradhyaska, B., & Pamesti, PI (2021). Regulation of the Sharia Supervisory Board of the Islamic Capital Market in Indonesia. *Journal of Islamic Economic Law*, 5(1), 77–94.
- Ilyas, R. (2021). The Role of the Sharia Supervisory Board in Islamic Banking. *JPS (Journal of Islamic Banking)*, 2(1), 42–53.
- Intia, LC, & Azizah, SN (2021). The influence of the board of directors, independent board of commissioners, and sharia supervisory board on the financial performance of Islamic banking in Indonesia. *Journal of Financial and Accounting Research*, 7(2).
- Jannah, DM, & Nugroho, L. (2019). Strategy to increase the existence of sharia insurance in Indonesia. *Jurnal Maneksi (Management, Economics, and Accounting)*, 8(1), 169–176.
- Kurrohman, T. (2017). The Role of the Sharia Supervisory Board in Sharia Compliance in Islamic Banking. *Surya Kencana Satu Journal: Dynamics of Legal and Justice Issues*, 8(2), 49.
- Moleong, LJ (1993). Qualitative naturalistic research methods. Bandung. Tarsito.
- Rachman, A., Sunardi, S., Rahmawati, E., Jannah, L., & Billah, S. (2023). The Significance of the Role of the Sharia Supervisory Board in Ensuring Sharia Compliance in Sharia Banks in Indonesia. *Madani Syari'ah*, 6(2), 134–146.
- Rahman, A., Mading, B., & Makkawaru, Z. (2020). Implementation of the Supervisory Function of the Sharia Supervisory Board at Sharia Banks in Makassar City. *Indonesian Journal of Legality of Law*, 3(1), 1–5.
- Saputra, I., Ukkas, J., & Basuki, U. (2024). Legal Consequences of General Meetings of Shareholders (GMS) on the Board of Directors. *Halu Oleo Law Review*, 8(1), 112–128.
- Sultoni, H. (2019). The Role of the Sharia Supervisory Board in Islamic Financial Institutions in Indonesia: Hasan Sultoni. *EKSYAR: Journal of Islamic Economics & Islamic Business*, 6(02), 106–115.
- Tarina, A., Radian, ML, & Andriani, M. (2023). Legal Certainty of the DSN-MUI Fatwa in the Field of Sharia Banking Following Constitutional Court Decision Number 65/PUU-XIX/2021. *Sasana Law Journal*, 9, 210–228.
- Wijaya, T. (2021). Halal Tourism in Indonesia: A Study of the Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). *Et al.*, 2(3), 289–299.