

# Legal Protection for Consumers in Sharia Insurance in Indonesia

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## ABSTRACT

*Legal protection for consumers in Sharia insurance in Indonesia is very important to ensure that transactions and services provided by Sharia insurance companies are run by sharia principles and provide fairness and security for consumers. The research method used is library research with a qualitative approach. Data was collected through observation and documentation, with qualitative analysis data analysis. The results of the study show that sharia insurance in Indonesia not only provides financial protection benefits for individuals and families, but also promotes the values of social justice, solidarity, and sustainable economic development in accordance with sharia principles. Sharia insurance is not only an important financial choice for Muslim consumers but also has a positive impact in strengthening the financial security of individuals and society more broadly, by upholding sharia values.*

## 1. INTRODUCTION

Legal protection for consumers in sharia insurance in Indonesia refers to various regulations and mechanisms designed to protect the rights and interests of consumers who use sharia insurance services. Sharia insurance operates based on Sharia principles, such as the principle of justice, the existence of guaranteed losses (salt), and there are no elements of riba, maysir, and gharar (Jannah & Nugroho, 2019). Legal protection for consumers ensures that the products and services offered comply with these principles (Palyama, 2022; Sari dkk., 2024).

Consumers have the right to obtain clear and transparent information about the sharia insurance products they purchase, including policy provisions, benefits, premiums, and claim procedures (Pratama & Turisno, 2017). Consumers have the right to understand the content and terms of sharia insurance policies, including their rights and obligations as policyholders (Budiman, 2022). Consumers have the right to fair and timely treatment in the settlement of their sharia insurance claims. The claim process must be by the provisions stipulated in the policy and sharia principles.

Legal protection for consumers in sharia insurance in Indonesia is very important to ensure

that transactions and services provided by sharia insurance companies run in accordance with sharia principles and provide fairness and security for consumers (Budiman, 2022; Sari dkk., 2024; Solaiman, 2018). Through strict regulation, careful supervision, and effective dispute resolution mechanisms, consumers can feel more protected and confident in using sharia insurance products to meet their protection and investment needs.

Research on legal protection for consumers in sharia insurance in Indonesia has various important benefits for various parties, including regulators, insurance companies, academics, and the general public. This research can help evaluate the effectiveness of existing policies and regulations, as well as identify areas that need improvement or adjustment. The results of the research can be the basis for the formation of new policies that are more targeted and effective in protecting sharia insurance consumers.

Research on legal protection for consumers in sharia insurance in Indonesia is very important to ensure that this industry can develop in a healthy, fair, and in accordance with sharia principles. The research not only benefits consumers by improving protection and services, but also supports the development of better policies, increased public

trust, and contributions to financial inclusion and academic development.

## 2. THEORETICAL FRAMEWORK

In the context of research on legal protection for consumers in sharia insurance in Indonesia, the theoretical framework can include various concepts and theories from the fields of law, economics, and Islamic studies. Consumer Rights emphasizes the importance of basic consumer rights, such as the right to correct information, the right to vote, the right to be heard, and the right to redress (Budiman, 2022; Palyama, 2022; Sari dkk., 2024). In this case, if combined with the purpose of Maqashid Sharia which contains Islamic economic principles that emphasize general welfare (*maslahah*) and loss prevention (*mafsadah*) (Effendi, 2016).

The theory of Maqashid al-Sharia (Sharia goals) is a concept in Islamic law that emphasizes the achievement of human welfare and the prevention of losses (Ahmad Bisri Musthafa, 2022). In the context of sharia insurance, Maqashid al-Syariah provides a framework for evaluating whether Sharia insurance products and services meet Sharia objectives. Sharia insurance must ensure that all transactions and operations comply with Sharia principles. This includes prohibitions against *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (speculation). Sharia insurance must reflect Islamic ethical and moral values in the conduct of its business, such as honesty, fairness, and transparency.

Sharia insurance provides financial protection for individuals and families against unexpected risks, such as accidents, illnesses, or death, which helps in safeguarding their lives. Through the *tabarru'* (donation) scheme, Sharia insurance collects funds that are used to help community members in need, especially in emergencies (Effendi, 2016). Sharia insurance must ensure that customers get complete and clear information about the insurance products they purchase. This helps customers make informed and informed decisions. Education programs about the importance of insurance and sharia principles in finance can increase public understanding and awareness.

Sharia insurance provides protection for

families from financial risks that can arise from events such as death or disability. This helps ensure the well-being and survival of the family. Sharia life insurance can be used as a tool to provide a fair inheritance and in accordance with sharia principles for descendants. Sharia insurance protects assets and property from losses caused by various risks, such as fire, theft, or natural disasters (Cennery dkk., 2018). By providing a mechanism for risk sharing, sharia insurance helps in more effective risk management and economic stability for individuals and society.

The Maqashid al-Sharia theory provides a holistic and ethical framework for Sharia insurance, ensuring that all aspects of the operations and products offered are not only by sharia principles but also contribute to social well-being and justice (Lubis, 2021) (Rijaludawa & Yanti Nurniati, 2023). Thus, sharia insurance not only protects consumers from financial risks but also promotes broader Islamic values in society. This theoretical framework provides a comprehensive conceptual basis for research on legal protection for consumers in sharia insurance in Indonesia. By integrating theories from various fields, this research can generate in-depth insights and practical recommendations to improve consumer protection and advance the Sharia insurance industry in Indonesia.

## 3. RESEARCH METHOD

The research method used in this study is *library research* (Creswell, 2009; Sugiono, 2015). Meanwhile, the approach used is a qualitative research approach. There are two sources of data in this study, primary and secondary. Primary research data sources are scientific writings either in the form of journal articles that focus on the study of Sharia insurance. Meanwhile, the secondary data sources used are other scientific writings such as books, scientific articles, journals, magazines, and other mass media sources. Data is collected through observation and documentation. Then the data was analyzed using qualitative data analysis. Initially, the data was collected, then selected and sorted until finally it could be interpreted and analyzed to obtain analysis results that could be used in the research results.

#### 4. DATA ANALYSIS AND DISCUSSION

##### 4.1. Basic Concept of Sharia Insurance in Indonesia

Sharia insurance in Indonesia operates based on Islamic principles that prioritize fairness, transparency, and cooperation between participants (Effendi, 2016). Funds collected from insurance participants are donated to help other participants who experience disasters. This concept replaces premiums in conventional insurance (Andina & Hanifudin, 2022; Pramudya & Rahmi, 2022). The basic principle of Sharia insurance is to help and share risks between participants. All operations and products must comply with Sharia principles, including the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (speculation).

The main goal of the development of sharia insurance in Indonesia is to meet the needs of the Muslim community who want financial products that are by Islamic sharia principles (Ng dkk., 2020). Sharia insurance is expected to provide products and services that comply with Sharia principles, such as the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (speculation). Providing wider access to the public, especially Muslims, to obtain financial protection through insurance products that are by their beliefs and values. Provides financial protection for individuals and families against unforeseen risks, such as death, permanent disability, illness, accident, or loss of property.

Sharia insurance prioritizes the principles of help-help (*ta'awun*) and risk sharing (*tabarru'*), which encourages more inclusive and equitable economic practices (Cennery dkk., 2018). Strengthen the Islamic finance ecosystem in Indonesia by providing sharia-compliant alternatives in the financial industry, including insurance. In addition, increasing public financial literacy and awareness about the importance of insurance and Sharia principles in financial and risk management. By managing risks effectively, sharia insurance can contribute to national economic and financial stability.

Sharia insurance can provide better protection for consumers through transparency practices,

fairness in claims settlement, and responsible fund management. Encourage innovation in sharia insurance products that can better meet the increasingly complex needs and preferences of the market. Provide an effective regulatory framework and strict oversight to ensure sharia insurers' compliance with sharia principles and consumer protection. Thus, sharia insurance in Indonesia not only aims to meet the financial needs of the community in terms of protection, but also to promote sharia values and support inclusive and equitable economic development. Sharia insurance in Indonesia is based on sharia principles that prioritize fairness, help, and transparency. With various operational models such as *mudharabah* and *wakalah bil ujah*, as well as strict supervision by the Sharia Supervisory Board and OJK, sharia insurance offers an alternative that is in accordance with Islamic values for the people of Indonesia.

Sharia insurance in Indonesia provides various important benefits to the community, which include aspects of financial protection, sharia compliance, and contribution to economic stability. Sharia insurance provides financial protection for individuals and families from various risks such as death, permanent disability, illness, or accidents. Sharia insurance products are designed to meet sharia principles that prohibit *riba*, *gharar*, and *maysir*, thus providing legal and moral certainty to participants. Muslims can choose insurance products that are by their religious beliefs, because sharia insurance products operate without involving interest and avoid the practice of *ribawi* which is considered incompatible with Islamic values.

Sharia insurance supports the development of the Islamic financial ecosystem in Indonesia by providing a sharia-compliant alternative in the financial industry. This helps to expand the Islamic financial market and increase financial inclusion for Muslim and non-Muslim communities who want to take advantage of financial products that are in accordance with Islamic ethical principles. Through educational programs, sharia insurance also plays a role in improving people's financial literacy, especially in terms of risk management and asset protection. A better understanding of the

importance of insurance can help people make smarter and more informed financial decisions. By helping individuals and families manage risk, sharia insurance contributes to economic and financial stability. Good risk management can reduce the financial impact of unforeseen events, such as natural disasters or accidents, which can lead to financial instability for individuals and families.

Sharia insurance companies in Indonesia are closely supervised by the Financial Services Authority (OJK) and the Sharia Supervisory Board (DPS) (Ng dkk., 2020). This ensures that their operations comply with sharia principles, are transparent, and provide fair protection for consumers. Thus, sharia insurance in Indonesia not only provides financial protection benefits for individuals and families, but also promotes the values of social justice, solidarity, and sustainable economic development in accordance with sharia principles.

#### **4.2. Consumer Urgency in Sharia Insurance**

In the context of sharia insurance, consumers have important roles and rights, which reflect the principles of justice, transparency, and protection in Islam (Pratama & Turisno, 2017; Ratnaningsih, 2022). Consumers in sharia insurance are not only buyers of services, but also as participants and contributors in the insurance system. They contribute by paying premiums or contributions which are then used to help other participants who experience disasters. Consumers have the right to get clear and transparent information about the sharia insurance products they buy. This information includes benefits, covered risks, premiums, and claim conditions.

Consumers have the freedom to choose sharia insurance products that suit their needs and beliefs, without pressure or coercion. Consumers have the right to be protected from unfair practices or fraud in the offering of sharia insurance products, including inadequate handling of claims or misuse of funds. Consumers have the right to receive benefits from insurance policies in accordance with the agreed provisions, such as financial protection when there is a risk covered by the policy (Ratnaningsih, 2022).

Consumers in sharia insurance have the right to participate in decision-making related to investment fund management and risk management, especially in schemes involving the principle of mudharabah or profit-sharing contracts. Consumers have the right to privacy and confidentiality of their personal information related to the insurance products they own. Consumers have the right to get fair and transparent dispute resolution in case of claims or other disputes with sharia insurance companies (Soemitra, 2022; Solaiman, 2018). By respecting the essence of consumers in this sharia insurance, insurance companies and regulators are committed to ensuring that all transactions and interactions between companies and consumers are conducted with the principles of fairness, integrity, and openness which are the core values in Islam.

In sharia insurance, the position of consumers is very important because they are not only buyers of insurance services, but also as active participants in an insurance system based on the principles of justice and help. Consumers in sharia insurance are not only buyers of services, but also as participants and contributors in the insurance system. They contribute by paying premiums or contributions to the insurance fund, which is then used to help other participants who experience disasters or risks that are covered.

The relationship between consumers and sharia insurance companies is based on the principles of cooperation (*ta'awun*) and risk sharing (*tabarru'*). Consumers participate in insurance schemes as part of a community that supports each other in the face of risk. Consumers have the right to be given clear and transparent information about the Sharia insurance products they purchase, including benefits, premiums, risks covered, and other relevant provisions. Thus, the position of consumers in sharia insurance emphasizes on a collaborative and fair relationship between insurers and participants, where the values of fairness, transparency, and adherence to sharia principles are highly upheld. Sharia insurance companies and regulators are responsible for ensuring that consumer rights are respected and protected throughout the insurance process.

Consumer urgency in the context of sharia insurance includes several very important things. Sharia insurance provides financial protection in accordance with sharia principles, such as the prohibition of usury, gharar, and maysir. This is important for Muslim consumers who want to ensure that they are financially protected without going against their religious beliefs. Sharia insurance helps to increase financial inclusion among Muslim communities, especially those who may previously feel uncomfortable using financial products that are not in accordance with sharia principles. The concept of *tabarru'* in sharia insurance emphasizes solidarity and help between participants. This creates strong social bonds among members of the sharia insurance community, where the funds raised are used to help members who are experiencing calamities.

Consumers have the freedom to choose insurance products that suit their needs and meet sharia criteria (Palyama, 2022). This gives them a wider range of options and is in accordance with the ethical and moral values they adhere to. Consumers have the right to fair and transparent settlement of claims. A good claim settlement process is one of the main factors that determine consumer trust in insurance companies. Taking these urgencies into account, sharia insurance is not only an important financial choice for Muslim consumers, but also has a positive impact in strengthening the financial security of individuals and society more broadly, in accordance with upheld sharia values.

#### **4.3. Laws and Protections for Consumers in Sharia Insurance**

The law and protection for consumers in sharia insurance in Indonesia is based on various sharia regulations and principles that govern insurance practices (Palyama, 2022; Sari dkk., 2024; Solaiman, 2018). OJK is a regulatory institution responsible for supervising and regulating the financial industry, including sharia insurance in Indonesia. OJK sets operational standards and consumer protection that must be complied with by sharia insurance companies. Protection for consumers in sharia insurance must comply with sharia principles, such as the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (speculation) (Ahmad Bisri

Musthafa, 2022). This ensures that the company's insurance products and practices are in accordance with Islamic ethical values.

Consumers have protected rights, including the right to clear and transparent information about insurance products, the right to choose products that are in accordance with their religious beliefs, and the right to fair dispute resolution. Sharia insurance companies are required to provide clear and transparent information to consumers regarding the benefits, risks covered, premiums, claim provisions, and other relevant provisions. Consumers have the right to fully understand what they are buying and their rights as insurance participants (Andina & Hanifudin, 2022).

Consumers have the right to get fair and transparent dispute resolution in case of claims or disputes with sharia insurance companies. This can be through mediation, arbitration, or court mechanisms in accordance with applicable regulations. DPS plays an important role in ensuring that sharia insurance products and company practices comply with sharia principles. DPS also provides fatwas and guidelines related to sharia insurance products and services to ensure compliance with Islamic values. Consumers are protected from unfair practices or abuse in the offering of sharia insurance products, including non-transparent claims processes or irresponsible fund management.

With strict regulations and sharia principles that are firmly upheld, sharia insurance in Indonesia aims to provide fair protection and in accordance with Islamic values for consumers. Consumers are expected to understand their rights and make wise financial decisions in accordance with applicable sharia principles.

Sharia insurance companies are required to provide clear and transparent information about the insurance products they offer (Pramudya & Rahmi, 2022). This includes details of benefits, premiums to be paid, risks covered, and other important provisions relevant to consumers. Consumers have the right to choose insurance products that suit their needs and beliefs. They also have the right to refuse or choose to join certain insurance schemes without any pressure from the insurance company.

Consumers are protected from discrimination in insurance product offerings, whether based on religion, race, gender, or any other factor that is irrelevant to an objective assessment of insurance risk (Ratnaningsih, 2022; Solaiman, 2018). Consumers have the right to fair and transparent settlement of claims. Sharia insurance companies must manage the claim process quickly and efficiently, as well as provide adequate explanations if claims are rejected. The greatest protection for consumers in sharia insurance is the assurance that the products and services they purchase comply with sharia principles, such as the prohibition of *riba*, *gharar*, and *maysir*. This guarantees that consumers will not engage in financial practices that are contrary to their religious beliefs.

Consumers are protected by strict regulations from the Financial Services Authority (OJK) and the Sharia Supervisory Board (DPS), which aim to ensure that sharia insurance companies operate in accordance with the set standards and fulfill their obligations to consumers. Sharia insurance companies usually provide consulting and education services to consumers about the insurance products they offer, including the benefits and how to use them. This helps consumers make more informed decisions and suit their needs.

Consumers have the right to know how the funds they contribute to the sharia insurance scheme are managed and invested. Sharia insurance companies are expected to manage the funds with full responsibility and transparency. With these forms of protection, consumers in sharia insurance are expected to feel safe and protected, and can take advantage of insurance products with the belief that their interests are well protected in accordance with sharia principles and applicable regulations.

## 5. CONCLUSION

Sharia insurance in Indonesia offers protection in accordance with Islamic sharia principles, such as the prohibition of usury, *gharar*, and *maysir*. This provides legal and moral certainty for Muslim consumers who want to use financial products that are in line with their beliefs. The Financial Services Authority (OJK) and the Sharia Supervisory Board (DPS) play an important role in supervising and

regulating sharia insurance companies. This stringent regulation aims to ensure consumer protection, transparency, and compliance with sharia principles in all aspects of insurance companies' operations. Consumers have guaranteed rights, including the right to clear and transparent information, the right to choose insurance products according to their needs and beliefs, the right to fair claims settlement, and the right to be protected from unfair or discriminatory practices. Policies that support financial inclusion, transparency, and consumer protection in sharia insurance need to be strengthened and improved. This includes increasing public understanding of the benefits of sharia insurance as well as strengthening regulations that protect consumer interests. Legal protection for consumers in sharia insurance in Indonesia, which must be supported by strong regulations, continuous education, and compliance with sharia principles to ensure fairness and financial security for all parties involved.

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