

Does Islamic Corporate Governance Matter for Risk-Taking? Evidence from Islamic Insurance Companies in Indonesia

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ABSTRACT

This article assesses the influence of Shari'ah Supervisory Board (SSB) characteristics on risk-taking behavior in Islamic insurance companies in Indonesia. Specifically, this study analyzes the influence of financial expertise and doctoral educational background of SSB on underwriting risk as a proxy for risk-taking behavior. The study uses panel data from 15 Islamic insurance companies during the period 2014–2024 with a total of 113 observations and analyzed using a Random Effects Model (REM). The results show that financial expertise and doctoral educational background of SSB do not significantly influence underwriting risk. This finding indicates that underwriting risk is more influenced by operational, actuarial, and market conditions than SSB characteristics. The novelty of this study lies in examining the relationship between SSB characteristics and underwriting risk in the Islamic insurance sector, which is still relatively limited compared to the Islamic banking sector. Practically, the results emphasize the importance of strengthening the integration between Shari'ah governance and operational risk management to support more prudent underwriting practices.

Abstrak

Artikel ini mengkaji pengaruh karakteristik Dewan Pengawas Syariah (DPS) terhadap perilaku pengambilan risiko di perusahaan asuransi syariah di Indonesia. Secara spesifik, studi ini menganalisis pengaruh keahlian keuangan dan latar belakang pendidikan doctoral DPS terhadap risiko underwriting sebagai proksi perilaku pengambilan risiko. Studi ini

menggunakan data panel dari 15 perusahaan asuransi syariah selama periode 2014–2024, dengan total 113 observasi, dan dianalisis menggunakan Model Efek Acak (Random Effects Model/REM). Hasil menunjukkan bahwa keahlian keuangan dan latar belakang pendidikan doktoral DPS tidak secara signifikan memengaruhi risiko underwriting. Temuan ini menunjukkan bahwa risiko underwriting lebih dipengaruhi oleh kondisi operasional, aktuarial, dan pasar daripada karakteristik DPS. Kebaruan studi ini terletak pada pengkajian hubungan antara karakteristik DPS dan risiko underwriting di sektor asuransi syariah, yang masih relatif terbatas dibandingkan dengan sektor perbankan syariah. Secara praktis, hasil ini menekankan pentingnya memperkuat integrasi antara tata kelola syariah dan manajemen risiko operasional untuk mendukung praktik underwriting yang lebih bijaksana.



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INTRODUCTION

Human life is inherently exposed to various forms of risk, including accidents, illness, financial losses, and death, creating the need for protection mechanisms that can provide financial security and stability (Abdullah, 2018). Islamic insurance, or *takaful*, was developed as a Shari'ah-compliant alternative that offers protection through mutual cooperation and shared responsibility among participants. Unlike conventional insurance, Islamic insurance operates based on the principles of *ta'awun* (mutual assistance) and *ta'min* (protection), enabling participants to collectively mitigate risks while maintaining compliance with Islamic ethical values (Rahman et al., 2019; Syamsuri et al., 2024). Through this mechanism, Islamic insurance not only functions as a financial protection instrument but also contributes to social solidarity, economic welfare, and financial stability within society (Nor, 2015; S M Tazuddin, 2020).

A distinctive characteristic of Islamic insurance is the separation between participant funds, company funds, and *tabarru'* funds, each serving different operational purposes within the *takaful* system (Fadilah & Makhrus, 2019; Wahyuni & Qadariyah, 2024). This structure reflects the dual contractual framework in Islamic insurance, consisting of *akad tijarah* for commercial activities and *akad tabarru'* for mutual assistance activities (Syukran & Lubis, 2023). In practice, claims are paid directly from the *tabarru'* fund, while accumulated funds are invested in Shari'ah-compliant financial instruments to maintain sustainability and financial stability (Wahyuni & Qadariyah, 2024). Consequently, Islamic insurance companies require prudent fund management and effective governance mechanisms to ensure the continuity of operations and maintain participant trust.

As financial institutions, insurance companies are inherently exposed to various forms of risk, particularly underwriting risk arising from claim obligations and underwriting activities (Goyal & Gulati, 2024; Ho et al., 2009). In the insurance industry, risk-taking behavior is commonly reflected through underwriting performance, especially in the company's ability to manage

claims relative to participant contributions (Ng et al., 2012). Therefore, this study uses underwriting risk as a proxy for risk-taking behavior in Islamic insurance companies. A higher loss ratio generally indicates greater underwriting risk and may reflect more aggressive or less effective risk management practices. However, underwriting risk in insurance companies is influenced by various operational and market-related factors, including claim volatility, pricing strategies, reinsurance policies, operational efficiency, and macroeconomic conditions (Ho et al., 2009). Consequently, governance mechanisms may not always directly translate into lower underwriting risk across institutions (Ho et al., 2009). Therefore, effective governance mechanisms remain necessary to maintain financial stability and ensure that risk-taking activities remain within prudent and sustainable boundaries (Elamer et al., 2018).

In Indonesia, the implementation of governance in the insurance industry is regulated through Financial Services Authority Regulation Number 2/POJK.05/2014 concerning Good Corporate Governance for Insurance Companies and Financial Services Authority Regulation Number 72/POJK.05/2016 concerning the Financial Health of Shari'ah Insurance and Reinsurance Companies. These regulations emphasize the importance of governance mechanisms that are not only financially sound but also aligned with Shari'ah principles. From an agency theory perspective, governance mechanisms are considered essential in reducing information asymmetry and enhancing monitoring within financial institutions (Jensen & Meckling, 1976). In the framework of corporate governance, elements such as ownership structure and supervisory bodies play a critical role in aligning the interests of managers with those of stakeholders, while also strengthening the overall effectiveness of oversight processes. Prior studies also suggest that governance structures can reduce agency conflicts and enhance decision-making quality within firms, ultimately influencing corporate outcomes and organizational performance (Putri & Taurusianingsih, 2025). In Islamic insurance institutions, governance mechanisms are expected to support transparency, accountability, and prudent risk management practices while ensuring that operational activities remain compliant with Islamic ethical values. Since Islamic insurance companies manage participant funds based on trust and mutual assistance principles, effective governance becomes particularly important in preserving public confidence and ensuring the long-term sustainability of the industry.

One of the most unique governance mechanisms in Islamic financial institutions is the existence of the Shari'ah Supervisory Board (SSB). The SSB is in charge of overseeing and making sure that operational activities, investment decisions and business practices are in line with Islamic principles (Arsyianti, 2010). In addition to its compliance role, the SSB may also contribute to governance oversight and risk supervision by performing monitoring and advisory functions. In Islamic insurance companies, the SSB also oversees underwriting practices, investment activities and management of *tabarru'* funds at the company to ensure that risk-taking activities are consistent with prudential and ethical principles. However, in practice, the primary role of the SSB is often concentrated on ensuring Shari'ah compliance rather than directly managing technical underwriting decisions. Thus, the effect of SSB characteristics on underwriting risk may be indirect and may differ between institutions depending on operational and managerial conditions.

Governance oversight may also be influenced by the characteristics and competencies of SSB members. According to the Upper Echelons Theory, corporate performance and strategic outcomes are deeply shaped by the personal backgrounds, professional experiences, and capabilities of senior executives (Hambrick & Mason, 1984). Recent behavioural studies also showed that individual competencies and psychological characteristics could have impact on decisionmaking outcomes and organisational behaviour (Septaviani & Sartika, 2026). In this

regard, financial expertise and educational background are often considered as important factors that influence the quality of monitoring and decision-making within governance bodies. SSB members with a finance or risk management background may have a better understanding of underwriting exposure, claim volatility and financial sustainability, enabling them to provide better oversight of risk-related decisions. Similarly, higher education qualifications such as doctoral degrees can enhance the analytical ability and governance quality of Islamic financial institutions. However, although SSB characteristics might be important to support the quality of governance, the empirical evidence on the relationship of SSB characteristics and the risk-taking behaviour is still inconclusive, especially in the Islamic insurance industry.

The literature on the relationship between Islamic corporate governance and risk-taking behaviour has mainly focused on Islamic banking institutions. Some studies examined the influence of governance mechanisms, especially the SSB, on risk-taking behaviour, financial stability and corporate performance in general. Aslam & Haron, (2021); Mollah & Skully (2017) found that SSB had a positive effect on risk-taking behavior in Islamic banks. Mukhibad & Setiawan, (2022) found that SSB negatively impacts risk-taking in Islamic banking institutions. Shari'ah supervision does not have a significant effect on the risk-taking behaviour of banks, according to Moudud-Ul-Huq (2022). Overall, these studies indicate that governance quality could influence corporate behaviour and risk management, but the empirical evidence is mixed and inconclusive. Some studies indicate that stronger governance mechanisms are associated with less risky behaviour, while others report weak or statistically insignificant relationships between governance attributes and corporate risk exposure. Such inconsistent results suggest that the effectiveness of governance mechanisms in influencing corporate risk-taking is not uniform but contingent on the institutional characteristics, industry environments, and the level of operational complexity of organizations.

In contrast, empirical studies focusing on Islamic insurance companies remain relatively limited. Existing studies in the takaful industry have largely concentrated on operational models, financial sustainability, and the role of the SSB in ensuring Shari'ah compliance (Chapra & Ahmed, 2002). Furthermore, how governance structures impact the operational success of Takaful operators has also been explored in prior literature (Sabrina & Rulindo, 2023). In addition, Md. Mohidul Islam et al. (2021) found that Shari'ah scholars within the SSB had a significant positive relationship with risk-taking behavior, but SSB size was not significantly related to risk-taking among Islamic Financial Institutions (IFIs), including takaful institutions. However, research specifically investigating the relationship between SSB characteristics and risk-taking behavior in Islamic insurance institutions remains underexplored. This limitation is important because Islamic insurance companies possess operational structures and risk-sharing mechanisms that differ substantially from Islamic banking institutions, particularly in the management of underwriting risk and *tabarru'* funds. Moreover, underwriting risk in Islamic insurance may also be influenced by various operational and market factors beyond governance mechanisms alone, potentially resulting in different empirical outcomes across institutions.

Despite the growing literature on Islamic corporate governance and risk-taking, most prior studies have focused on Islamic banking institutions. Islamic insurance companies differ fundamentally from Islamic banks because they operate through risk-sharing mechanisms, *tabarru'* funds, underwriting activities, and actuarial assessments rather than credit intermediation. Consequently, governance mechanisms that influence risk-taking behavior in Islamic banks may not necessarily produce similar outcomes in Islamic insurance institutions. Examining Islamic insurance companies therefore provides an opportunity to extend existing governance literature and assess whether the relationship between Shari'ah Supervisory Board

characteristics and risk-taking behavior remains consistent across different Islamic financial sectors.

Therefore, this study aims to examine the relationship between SSB characteristics to risk-taking behaviour in Islamic insurance companies in Indonesia. This study specifically examines the linkage between SSB financial expertise and doctoral education background with underwriting risk as a proxy for risk-taking behaviour. The study is expected to add to the literature of Islamic corporate governance by providing empirical evidence from the Islamic insurance sector, which is relatively less explored when compared to Islamic banking. Moreover, the findings are expected to provide useful insights for regulators and practitioners in the industry regarding the potential role of governance quality in promoting effective risk management in Islamic insurance institutions.

Based on the discussion above, this study proposes the following hypotheses:

H1: SSB financial expertise negatively affects risk-taking behavior in Islamic insurance companies.

H2: SSB doctoral educational background negatively affects risk-taking behavior in Islamic insurance companies.

METHOD

This study employs a quantitative research approach using panel data analysis to examine the relationship between SSB characteristics and risk-taking behavior in Islamic insurance companies in Indonesia. The study adopts an explanatory research design to analyze whether SSB's doctoral educational background and financial expertise influence underwriting risk as a proxy for risk-taking behavior.

The population of this study consists of Islamic insurance companies operating in Indonesia during the 2014–2024 period. This period is chosen because it provides a sufficiently long observation horizon and reflects the development of the Islamic insurance industry in Indonesia. The sample was selected using purposive sampling techniques. The sample for this study was selected based on the following criteria: (1) Islamic insurance companies operating in Indonesia during the observation period; (2) availability of annual reports and financial reports; (3) availability of information regarding the educational background and doctoral education of SSB; and (4) availability of data needed to calculate underwriting risk and control variables. Based on these criteria, this study obtained 15 Islamic insurance companies with 113 unbalanced panel observations. The unbalanced panel was caused by differences in data availability and company establishment periods.

This study uses secondary data obtained from annual reports, financial statements, and corporate governance reports accessed through company websites and the Financial Services Authority (OJK). Data collection was conducted using documentation techniques by recording and classifying financial and governance data relevant to the research variables. Since this study employs secondary data from audited financial statements and official corporate reports, conventional validity and reliability testing commonly used in survey-based research was not conducted. Table 1 presents the operational definitions and measurements of variables employed in this study.

Table 1. Operational Definition and Measurement of Variables

Variable Type	Variable	Proxy	Variable Measurement
Dependent Variable	Underwriting Risk	Loss Ratio	Net Claims Incurred / Net Contributions Earned
Independent Variable	SSB Education Background	Doctoral Degree	Dummy variable: 1 if at least one SSB member has Doctoral Degree
Independent Variable	SSB Expertise	SSB Financial Expertise	Dummy variable: 1 if at least one SSB member has Accounting, Finance, Economics, Islamic Finance, Risk Management, or Insurance expertise
Control Variable	Firm Size	Company Size	Natural logarithm of total assets
Control Variable	Leverage	Leverage Ratio	Total liabilities / Total assets

Underwriting risk reflects the company's exposure arising from underwriting activities and claim obligations. Meanwhile, SSB educational background and financial expertise represent the competency characteristics of the SSB. Underwriting risk is used as a proxy for risk-taking behavior because it directly reflects an insurance company's exposure arising from underwriting activities and claims liabilities. A higher loss ratio indicates greater underwriting exposure and a higher level of risk-taking by the company (Ho et al., 2009; Ng et al., 2012). This proxy is particularly relevant in Islamic insurance companies, where underwriting performance plays a central role in maintaining financial sustainability and participant protection.

Furthermore, the SSB's doctoral-level educational background and financial expertise are used to represent the competency dimensions of Islamic governance. Based on Upper Echelons Theory, the educational background and professional expertise of supervisory board members can influence the quality of monitoring, oversight effectiveness, and strategic decision-making within an organization (Hambrick & Mason, 1984). Therefore, these characteristics are expected to reflect the SSB's ability to support effective risk governance and oversight in Islamic insurance companies.

This study also includes firm size and leverage as control variables because company characteristics may influence corporate risk-taking behavior.

To process the data, this study utilizes descriptive statistics alongside panel data regression, executed via EViews software. The optimal regression framework was determined by executing diagnostic panel selection procedures, specifically the Chow and Hausman tests. Consequent to these evaluation outcomes, the Random Effect Model (REM) was adopted as the most suitable specification.

The regression model used in this study is formulated as follows:

$$URISK_{it} = \beta_0 + \beta_1 SSBEDU_{it} + \beta_2 SSBEXP_{it} + \beta_3 FSIZE_{it} + \beta_4 LEV_{it} + \epsilon_{it}$$

Where:

URISK = Underwriting Risk

SSBEDU = SSB Doctoral Educational Background

SSBEXP = SSB Financial Expertise

FSIZE = Firm Size

LEV = Leverage

RESULT AND DISCUSSION

RESULTS

Descriptive Statistics

Table 2 presents the descriptive statistics of the variables used in this study which consist of underwriting risk, SSB financial expertise, SSB doctoral educational background, firm size, and leverage.

Table 2. Descriptive Statistics

Variable	Mean	Maximum	Minimum	Std. Dev.
COMPANY_SIZE	26.87293	29.53310	24.92270	1.217996
UNDERWRITING_RISK	0.787039	1.756963	0.068131	0.360434
SSB_EXPERTISE	0.486726	1.000000	0.000000	0.502050
SSB_DOCTORAL	0.628319	1.000000	0.000000	0.485406
LEVERAGE	0.417445	0.945220	0.025004	0.258524

Source: Processed Data (2026)

The average underwriting risk value is 0.787039, with a maximum value of 1.756963 and a minimum value of 0.068131, indicating variations in underwriting exposure among Islamic insurance companies during the observation period. Meanwhile, the average leverage value is 0.417445, suggesting that liabilities accounted for approximately 41.74% of total assets on average. The descriptive statistics also show that the mean value of SSB_DOCTORAL is 0.628319, indicating that approximately 62.83% of the observations had at least one SSB member with a doctoral degree. In addition, the mean value of SSB_EXPERTISE is 0.486726, suggesting that approximately 48.67% of the observations had at least one SSB member with financial or insurance-related expertise. Furthermore, company size shows relatively moderate variation, with an average value of 26.87293 and a standard deviation of 1.217996.

Panel Model Selection

Table 3 reports the results of the Chow and Hausman tests to determine the most appropriate panel data regression model.

Table 3. Panel Model Selection

Test	Result	Selected Model
Chow Test	Prob < 0.05	FEM
Hausman Test	Prob > 0.05	REM

Source: Processed Data (2026)

The Chow test was used to determine whether the Common Effect Model (CEM) or Fixed Effect Model (FEM) was more appropriate. The Chow test result showed a probability value below 0.05, indicating that the Fixed Effect Model was preferable to the Common Effect Model.

Furthermore, the Hausman test was conducted to determine whether the Fixed Effect Model or Random Effect Model was more appropriate. The Hausman test yielded a p-value greater than 0.05, indicating that the Random Effect Model (REM) was more appropriate for this study. Therefore, the Random Effect Model was selected as the final regression model

Regression Results

The regression analysis results examining the influence of SSB characteristics on underwriting risk are presented in Table 4.

Table 4. Regression Results

Variable	Coefficient	t-Statistic	Probability
C	-0.625320	-0.614953	0.5399
SSB_DOCTORAL	0.016583	0.149817	0.8812
SSB_EXPERTISE	-0.183101	-1.573675	0.1185
LEVERAGE	-0.153933	-1.138715	0.2573
COMPANY_SIZE	0.058367	1.534703	0.1278

Source: Processed Data (2026)

The regression results in Table 4 indicate that SSB_EXPERTISE obtained a negative coefficient value of -0.183101 with a probability value of 0.1185, indicating that SSB financial expertise does not significantly affect underwriting risk. Therefore, H1 is rejected. Furthermore, SSB_DOCTORAL has a positive coefficient value of 0.016583 with a probability value of 0.8812, indicating that the doctoral educational background of SSB members does not significantly affect underwriting risk. Therefore, H2 is rejected. These findings indicate that neither SSB financial expertise nor doctoral educational background significantly influences underwriting risk in Islamic insurance companies.

Furthermore, the control variables, namely leverage and company size, also showed insignificant effects on underwriting risk, with probability values of 0.2573 and 0.1278, respectively.

Table 5. Regression Model Statistics

Model Statistics	Value
R-squared	0.049026
Adjusted R-squared	0.013804
F-statistic	1.391933
Prob(F-statistic)	0.241600

Source: Processed Data (2026)

Table 5 presents the overall model statistics of the regression model. The regression model yielded an R-squared of 0.049026, indicating that the independent variables explain 4.90% of the variation in underwriting risk, with the remaining variation accounted for by factors outside the model. The relatively low adjusted R-squared suggests that underwriting risk may be influenced by broader operational and technical variables beyond governance characteristics. This also indicates that underwriting risk is a complex phenomenon influenced by multiple operational, actuarial, and market-related factors that are not fully captured in governance-based models. The low explanatory power does not necessarily indicate that the model is inappropriate, but rather suggests that underwriting risk may be influenced by various factors beyond the variables

examined in this study. This finding is consistent with the nature of the insurance business, where underwriting performance is influenced by claim experience, pricing strategies, reinsurance policies, and risk selection practice (Ho et al., 2009; Ng et al., 2012). Furthermore, the Prob(F-statistic) value of 0.241600 indicates that the independent variables simultaneously do not significantly affect underwriting risk. This finding further supports the argument that variations in underwriting risk may be explained by factors other than governance characteristics examined in this study.

DISCUSSION

The Effect of SSB Financial Expertise on Underwriting Risk

The results indicate that SSB financial expertise does not significantly affect underwriting risk in Islamic insurance companies. Agency Theory suggests that governance mechanisms are expected to reduce information asymmetry and strengthen monitoring effectiveness within financial institutions (Jensen & Meckling, 1976). From this perspective, the presence of SSB members with financial or insurance-related expertise is theoretically expected to improve governance quality and support more effective risk oversight. However, the findings of this study suggest that financial expertise within the SSB does not necessarily directly influence underwriting risk behavior in Islamic insurance institutions.

One possible explanation is that underwriting risk management in Islamic insurance companies is highly dependent on specialized underwriting activities, actuarial assessment, claim management, reinsurance policies, operational efficiency, and market conditions. In practice, operational underwriting decisions are generally determined by management and actuarial divisions rather than by the SSB. Consequently, although SSB members may possess financial expertise, their influence on underwriting exposure and operational risk-taking behavior tends to remain indirect. This finding indicates that governance mechanisms in Islamic financial institutions may not always directly influence operational risk-taking behavior, particularly in industries with highly technical operational structures such as insurance.

The findings also support previous studies reporting mixed empirical evidence regarding the relationship between governance mechanisms and risk-taking behavior in Islamic financial institutions (Aslam & Haron, 2021; Mollah & Skully, 2017; Mukhibad & Setiawan, 2022). While some studies suggest that stronger governance mechanisms may reduce corporate risk-taking behavior, others report limited or statistically insignificant relationships between governance characteristics and risk exposure (Md. Mohidul Islam et al., 2021; Moudud-Ul-Huq, 2022). These findings imply that strengthening Shari'ah governance alone may not be sufficient to reduce underwriting risk without stronger operational risk management, actuarial oversight, and underwriting discipline within Islamic insurance institutions. However, this insignificant relationship does not diminish the importance of the SSB in maintaining Shari'ah compliance and ethical governance within Islamic insurance institutions.

These findings provide further insight into Agency Theory, which suggests that governance mechanisms can reduce information asymmetry and strengthen monitoring effectiveness. Although SSB financial expertise is expected to enhance oversight quality and support prudent decision-making, its influence on underwriting risk appears to be limited in Islamic insurance companies. This finding indicates that underwriting risk is more closely associated with underwriting and actuarial activities than with the financial expertise of SSB members. Therefore, the effectiveness of governance mechanisms in influencing risk outcomes may vary across different Islamic financial sectors.

The Effect of SSB Doctoral Educational Background on Underwriting Risk

The results further indicate that the doctoral educational background of SSB members does not significantly affect underwriting risk in Islamic insurance companies. According to Upper Echelons Theory, organizational outcomes may reflect the characteristics, competencies, and educational backgrounds of top decision-makers (Hambrick & Mason, 1984). Higher educational qualifications are generally expected to strengthen governance quality and improve oversight effectiveness. However, consistent with the findings regarding SSB financial expertise, the results of this study suggest that doctoral qualifications within the SSB do not necessarily directly influence underwriting risk behavior in Islamic insurance institutions.

The finding may imply that academic qualifications alone are not sufficient in influencing operational risk-taking decisions within Islamic insurance companies. Although SSB members may have higher education, the main role of SSB is more focused on ensuring the Shari'ah compliance and ethical supervision rather than directly overseeing technical underwriting activities (Arsyianti, 2010; Chapra & Ahmed, 2002). Consequently, the impact of the doctoral educational background on the underwriting exposure might still be indirect, since the underwriting decisions are mainly made based on operational and actuarial processes.

Hence, the findings of this study imply that governance characteristics generally associated with the risk management effectiveness of Islamic banking may not necessarily generate similar implications in Islamic insurance institutions, given the differences in underwriting structures, actuarial processes, and operational complexity. These findings further highlight that the effectiveness of governance in Islamic insurance companies may depend on a stronger integration between Shari'ah oversight and operational risk management systems to promote prudent underwriting practices.

These findings contribute to the knowledge base of Upper Echelons Theory which suggests that the educational background of organisational leaders could be a factor that influences strategic decisions and organisational outcomes. But the results indicate that the background of doctoral education does not have a significant effect on underwriting risk in Islamic insurance companies. This finding indicates that higher educational qualifications might not be sufficient to impact operational risk outcomes, particularly in business activities heavily reliant on underwriting, actuarial assessment, and risk management practices. Hence, the influence of educational background on risk-taking behaviour might be contingent on both the industry-specific characteristics and organisational processes.

Control Variables and Model Implications

The regression results further show that leverage and company size do not significantly affect underwriting risk. These findings indicate that underwriting risk in Islamic insurance companies may not be primarily determined by company scale or capital structure alone. Instead, underwriting risk may be more strongly influenced by operational factors such as underwriting quality, claim management effectiveness, participant risk profiles, and reinsurance policies.

In addition, the relatively low R-squared value suggests that the variables used in this study account for only a small portion of the variation in underwriting risk. This finding reinforces the argument that underwriting risk in insurance companies is affected by broader operational and market-related factors, not only by governance mechanisms (Ho et al., 2009). The relationship

between Shari'ah governance and underwriting risk may, therefore, be more complex than assumed in the governance literature in general.

This study contributes to the Islamic corporate governance literature by providing empirical evidence from the Islamic insurance industry which is less explored relative to Islamic banking institutions. Studies have mostly investigated Islamic banking, and the empirical evidence from Islamic insurance firms is still scarce. Therefore, this study contributes to the literature by providing evidence that governance characteristics that are typically considered important in Islamic banking may not always lead to similar outcomes in Islamic insurance companies.

Practically, the findings may imply that the SSB's role is more closely tied to compliance and ethical oversight rather than direct operational risk management. Thus, Islamic insurance companies should strengthen the integration between Shari'ah governance mechanisms and operational risk management systems to strengthen the governance effectiveness in controlling underwriting risk.

There are limitations to this study. First, the study considers only two characteristics of the SSB, namely doctoral educational background and financial expertise. Secondly, the low explanatory power of the model may indicate that underwriting risk could be affected by wider operational and technical variables which are not captured by this study. Future research is recommended to include other determinants such as claim ratio, liquidity, operational efficiency, reinsurance dependence and actuarial risk variables to have a more comprehensive understanding of underwriting risk in Islamic insurance companies.

CONCLUSIONS

This study examines the influence of SSB characteristics, namely doctoral educational background and financial expertise, on underwriting risk in Islamic insurance companies in Indonesia. The findings indicate that SSB characteristics do not significantly influence underwriting risk behavior in Islamic insurance institutions. These results suggest that governance mechanisms in Islamic insurance companies may function more strongly as instruments of Shari'ah compliance and ethical oversight than as direct determinants of operational risk-taking behavior. The findings also imply that underwriting risk in Islamic insurance companies is likely to be more influenced by operational, technical, actuarial, and market-related factors than by governance characteristics.

Therefore, this study contributes to the literature on Islamic corporate governance by providing empirical evidence from the Islamic insurance sector, which remains relatively underexplored compared to Islamic banking institutions. The findings suggest that governance characteristics commonly associated with risk oversight in Islamic banking may not always yield similar implications in Islamic insurance companies. These findings highlight the importance of considering industry-specific characteristics when examining the effectiveness of governance mechanisms and their relationship to risk-taking behavior.

From a theoretical perspective, these findings suggest that the relationship between governance characteristics and risk-taking behavior may differ across Islamic financial sectors. Although Agency Theory and Upper Echelon Theory suggest that board competence can influence

organizational outcomes, the results indicate that the influence of SSB characteristics on underwriting risk is relatively limited in Islamic insurance companies. These findings suggest that operational, actuarial, and market-related factors may play a more prominent role in explaining underwriting risk than the educational and professional characteristics of SSB members.

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AUTHOR CONTRIBUTION

Luciana Luthan: Conceptualization, Methodology, Formal Analysis, Data Curation, Writing – Original Draft. Mentari Ritonga: Conceptualization, Validation, Writing – Review & Editing.

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