

Takaful insurance in Algeria (reality and challenges)

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Abstract---This study aims to explore the reality of Takaful insurance in Algeria, employing a descriptive approach to construct the theoretical framework and an analytical approach to assess its level of implementation. The study concludes that Takaful insurance is still in its early stages of application, with limited product penetration and a number of regulatory and economic challenges hindering its development.

Keywords---Takaful insurance, insurance, Algeria.

1. Introduction

Takaful insurance is considered one of the most important insurance products compliant with Islamic Sharia law. Many insurance companies in several countries around the world, such as Indonesia, Saudi Arabia, Malaysia, Qatar, and the United Arab Emirates, have adopted it. In Algeria, Takaful insurance has been implemented and activated through Executive Decree 09-13, which defines the model bylaws for mutual insurance companies, and Executive Decree 21-81, which specifies the conditions and procedures for practicing Takaful insurance. The following questions arise:

What is Takaful insurance, what are its types, what is its level of implementation in Algeria, and what are its challenges?

Sub-questions

What is the level of Takaful insurance in Algeria ?

What are the obstacles and challenges facing Takaful insurance in Algeria?

Hypotheses

The level of Takaful (Islamic insurance) is weak in Algeria.

There are several challenges facing the implementation of this type of insurance in Algeria.

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Research objective

Identifying the level of Takaful insurance in Algeria, in addition to the challenges facing its implementation.

Previous Studies

Study (Kamel & Fatima, 2021): which focused on the challenges prevailing in the Algerian Takaful insurance market, with a focus on the experience of Salama Insurance Company. The researchers concluded that the processes of producing and developing symbiotic products, in addition to the approved marketing mechanisms, suffer from a fundamental weakness that prevents achieving the required competitiveness in the market.

Study (Chakima & Abdelkader, 2023): This study aims to update the reading of the reality of this sector, focusing on evaluating the applied path of Takaful insurance at Salama Insurance Company. The results of the study confirmed that the contribution of this type of insurance to the Algerian financial system is still limited, given the weakness of development mechanisms and the sector's continued confrontation with multiple environmental and regulatory challenges.

Study Structure

The study was addressed in three main sections:

First Section: The theoretical foundations of Takaful insurance in Algeria.

Second Section: The reality of implementing Takaful insurance theory in Algeria and its challenges.

2. The theoretical foundations of Takaful insurance in Algeria

2.1. Definition of Takaful Insurance

Insurance can be defined as a system whereby a group of people, called the subscribers' body, who are exposed to a certain risk or risks, (Khaloui & Lezoul, 2024, p. 493) cooperate to avoid the effects of the risks to which one of them is exposed, by compensating him for the damage resulting from the occurrence of these risks, by each of them committing to pay a certain amount as a donation, called the premium or subscription, (Amri & Ketoufi, 2020, p. 156) which is determined by the insurance policy or subscription contract. Takaful insurance companies undertake the management of insurance operations and the investment of funds on behalf of the subscribers' body, in return for a known share of the return on the investment of these funds as a *mudarib* (profit-sharing partner) or a known amount in advance as an agent, or both. (Shakhar, 2014, pp. 77-78)

It is also defined as "a cooperative system that is not based on the principle of profit as its foundation, but rather aims to divide the risk and distribute it among the group of insured participants through compensation paid to the affected participant from the sum of their contributions, instead of the loss remaining solely on the affected individual. This is done according to the company's regulations and the terms included in the insurance policies, and in a manner that does not conflict with the provisions of Islamic Sharia. (Brahimi, 2018, p. 40)

It is also defined as a group insurance contract whereby each participant commits to paying a specific amount of money with the intention of cooperating and showing solidarity with the other participants to compensate those who are affected, on the basis of donation. The insurance operations are managed by a company acting as an agent for a known fee, determined at the beginning of each fiscal year and stipulated in the contracts, and paid from the policyholders' contributions. The cooperative insurance contract can also be defined as a donation contract for the benefit of the group of participants, whereby the insured commits to paying the agreed-upon cooperative contributions in the agreed amount and at the agreed-upon time, provided that 'The shareholders' association is committed to compensating him for the actual damage at the time of its occurrence, based on the stipulated technical principles and controls that do not conflict with the provisions and principles of Islamic Sharia.

2.2. Types of Takaful Insurance

Takaful insurance is embodied in two main types: Takaful for damages and Takaful for individuals, which is an alternative to life insurance. These are as follows: (Shakhar, 2014, pp. 77-79)

Takaful for Damages: This type of insurance is divided into two sections: **Takaful for Liability:** This type of insurance covers compensation for the participant for damages resulting from risks that affect others and for which they are responsible, such as traffic accidents, work accidents, professional errors, and other forms of liability. Under the Takaful for Liability insurance contract, the participant benefits from compensation for all the financial amounts they were obligated to pay due to their existing liability.

Takaful for Property: Takaful for property includes many different forms of insurance depending on the insured risk. Examples include livestock insurance, engineering insurance (which covers contractors' equipment and machinery, as well as electronic devices), aviation insurance, oil and energy insurance, and others.

Takaful insurance as an alternative to life insurance: Life insurance has sparked more debate than other types of insurance, as some jurists have permitted some types of commercial insurance and prohibited life insurance.

3. The reality of implementing Takaful insurance theory in Algeria and its challenges

3.1 .The reality of Takaful insurance in the world

Table 1 shows a clear increase in long-term Takaful assets, rising from \$47 billion in 2015 to \$108 billion in 2023, representing a total growth rate of approximately 130% over eight years. This reflects the industry's continued expansion and the growing demand for Sharia-compliant financial products. This growth is attributed to the development of regulatory frameworks in Islamic countries, the expansion of markets in Asia (Malaysia, Indonesia) and the Gulf, the digital transformation of financial services, and the emergence and growing interest in Islamic finance as a sustainable alternative. Future projections indicate that assets will increase to \$237 billion by 2029.

Table (01): The development of Takaful insurance assets in the world (2015-2023)

year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2029 Survey
Takaful assets (billion dollars)	47	48	46	47	54	62	73	90	108	237

Source: report refinitiv Islamic finance development indicator, 2025, Pages 47-48

3.2. The reality of Takaful insurance in countries around the world

Table 02 shows the leading countries in the field of Takaful insurance, namely Malaysia with \$28 billion and Saudi Arabia with \$22 billion. This is due to the development in regulatory laws, the growth of Islamic financial markets, the high demand for Takaful products, and the increase in demand for Takaful products. The remaining shares of Takaful assets are distributed in low proportions among some countries: the UAE with \$4 billion, Indonesia with \$2 billion, Turkey with \$2 billion, Qatar with \$1 billion, Pakistan with \$0.9 billion, and finally Oman with \$0.5 billion. This is due to the Takaful market being in a stage of growth and expansion, the shortage of companies operating in the field, in addition to the dominance of conventional insurance.

Table (02): Ranking of countries according to the principles of Takaful insurance in the countries of the year 2023

Countries	Oman	Pakistan	Qatar	Türkiye	Indonesia	UAE	Saudi Arabia	Malaysia
Takaful assets (billion dollars)	0.5	0.9	1	2	2	4	22	28

Source: Report Refinitiv Islamic Finance Development Indicator, 2025, Pages 48

3.3. The reality of Takaful insurance in different regions of the world

From Table 3, the Middle East and North Africa region (excluding the Gulf countries) tops the list with a value of \$73 billion, which represents the largest share by a clear margin over the rest of the regions. This is due to the growth of the Takaful industry in these countries and the development of supportive laws and regulations. Southeast Asia comes in second place with a value of \$31 billion. This ranking is due to the significant growth of the Takaful market, especially in countries like Malaysia and Indonesia, and the development of the institutional, innovative and technological infrastructure in Takaful products, in addition to government support for Islamic finance strategies in these countries. It occupies the third place with \$28 billion, a figure close to Southeast Asia. This is due to a mature market, but it is highly competitive with conventional insurance, and the disparity in performance among the Gulf countries. The rest of the world comes with a value of \$3 billion, which is a very small percentage. This is due to the limited spread of Takaful, a lack of awareness, the legal framework and weak market demand.

Table (03): Ranking of Takaful assets in the world's regions for the year (2023)

Region	Other MENA	Southeast Asia	GCC	Other
Takaful assets (billion dollars)	73	31	28	3

Source: Report Refinitiv Islamic Finance Development Indicator, 2025, Pages 48

4. The reality of Takaful insurance in Algeria and its challenges

4.1. The reality of Takaful insurance in Algeria

Table (04) shows that property and casualty insurance, including car insurance, property insurance, transport insurance, and agricultural insurance, ranks first with a total share of 88.46 percent. This is followed by personal insurance, including life insurance, savings insurance, accident insurance, social assistance insurance, and capital insurance, with a total share of 11.44 percent. Takaful insurance, in its two forms (general and family), comes in last with a total share of 0.10 percent. We note an increase in the property, risks, and loan insurance market from 139.6 million dinars in 2022 to 144.7 million dinars in 2023, representing a growth rate of 3.63 percent. Similarly, the personal and life insurance market saw an increase from 162.8 million dinars in 2022 to 187.08 million dinars, representing a growth rate of 14.89 percent. This represents the dominance of the traditional insurance market in Algeria. The low percentage of Takaful insurance in Algeria is due to the recent entry of Takaful products into the Algerian market, the lack of insurance awareness among individuals, and the lack of an institutional and regulatory framework for this type of insurance.

Table (04): Ranking of insurance products in Algeria for the years 2022-2023 (million dinars)

Insurance Type	2023	2022	Change % (2022-2023)	Share %
Property	67136000	64461000	4.15%	41.05%
Cars	66897000	65243000	2.54%	40.91%
Transport	8561000	7407000	15.58%	5.23%
Loans	78000	46000	69.57%	0.05%
Agricultural Risks	1997000	2445000	-18.32%	1.22%
Total	144669000	139602000	3.63%	88.46%
Life Insurance	8381000	6760000	23.98%	5.12%
Individual Savings	5461000	6176000	-11.58%	3.34%
Accidents	1652000	1352000	22.19%	1.01%
Assistance	2067000	1896000	9.06%	1.26%
Diseases	1140000	97000	80.20%	0.70%
Capital	7000	3000	133.33%	0.00%
Total	18708000	16284000	14.89%	11.44%
General Takaful Insurance	78000	-	-	0.05%
Family Takaful Insurance	85000	-	-	0.05%
Total Takaful Insurance	163000	-	-	0.10%

Source: National Insurance Council Report, 2025, pages 72-75

4.2. Challenges of Takaful insurance in Algeria

Legal and Regulatory Challenges :

- Delays in enacting legislation to facilitate the effective marketing of Takaful insurance products. Despite the abolition of the state monopoly on the insurance sector in 1995, through Ordinance 97-07, and the authorization of the establishment of cooperative and mutual companies without discrimination between sectors, this was not achieved until 2009 through Executive Decree 09-13, dated October 11, 2009, concerning the model bylaws for mutual companies .
- Looking at the provisions of Executive Decree 09-13, we find it agrees with some aspects of managing Takaful insurance institutions, such as not requiring profitability from policyholders. However, it contradicts it in many other aspects.
- For example, the commercial nature of insurance activities has prevented the establishment of insurance companies with approximately five thousand members .
- This decree requires insurance companies operating in the Algerian market to allocate 50% of their revenues to treasury bonds in the form of shares. The decree does not specify the procedures to be followed for transitioning from conventional insurance companies to Takaful (Islamic insurance) companies (Chikhi, 2022, p. 36).
- It also fails to clarify the key principles of Takaful, the management and operation models for Takaful companies, and how to address deficits in the subscribers' fund. The negative impact of this legislation is that it discourages Takaful companies from entering the sector.
- This explains the presence of only one Takaful company in Algeria, which faces fierce competition from conventional insurance companies that have a strong presence in the Algerian market .
- The scarcity of Islamic banks operating in Algeria is a challenge facing Takaful insurance services. The absence of Islamic banks prevents Takaful companies from increasing the investment of shareholders' subscriptions, forcing them to deposit and invest their funds in commercial banks that operate on interest-based systems, which contradicts the Islamic principles upon which Takaful is founded. Furthermore, there is a shortage of qualified personnel in the Sharia and financial fields, trained in modern methods across various functions such as risk and loss management. Algeria suffers from a lack of attention to university and

vocational training in the insurance sector in general, and in Takaful insurance in particular (Benaoum & Hakmi, 2024, pp. 24-25) .

- Salamah relies on traditional accounting models, and its financial statements are prepared using these models, which are not based on Takaful principles and do not comply with the standards of the Accounting and Auditing Organization for Financial Institutions (AAOIFI) in Bahrain .
- The absence of internal reinsurance operations, due to the presence of only one company, Salamah Insurance, leads to a lack of reinsurance demand. Salamah's only remaining option is to resort to external reinsurance operations with Best Re in Tunisia .
- The marketing of insurance services in Algeria is weak, and available technologies, the internet, and other modern methods that would enable the marketing of Takaful insurance services to all segments of society are not being utilized .
- Despite several years of operation, Salamah remains largely unknown to the Algerian public, and its products are only accessible to a small segment of the population. (Larabi & Nadhir, 2017, pp. 101-102)

Cultural Challenges:

- These challenges include a lack of awareness within Algerian society regarding the availability of insurance services. This reflects a prevailing view that insurance is a state obligation towards its citizens, a legacy of socialist ideology. Citizens are generally uninterested in benefiting from insurance policies, believing they are only useful in the event of a potential risk materializing. Furthermore, there is a lack of information and data about insurance and its contribution to the national economy.
- The media does not focus on disseminating insurance awareness and highlighting the importance of Takaful (Islamic insurance) in the lives of individuals and society. This is compounded by a negative perception of insurance as a tax.
- There is a lack of training in insurance in general and Takaful specifically.
- There is a lack of coordination among Takaful insurance company employees between the Sharia (Islamic law) and technical aspects. (Lekrib & Kadem, 2021, p. 23)

5. Conclusion

Based on a theoretical and analytical study of the reality of Takaful insurance in Algeria, it can be concluded that this sector is still in its early stages of development, despite the existence of a legal framework regulating its activity. The study's results confirmed the proposed hypotheses, revealing that the level of Takaful insurance penetration in Algeria is very low, not exceeding 0.10% of the total insurance market, which is dominated by conventional insurance products. The study also revealed a number of structural challenges hindering the development of Takaful insurance, most notably regulatory restrictions, weak institutional support, limited marketing strategies, low insurance awareness among individuals, and a shortage of qualified human resources.

Furthermore, the absence of a comprehensive Islamic financial system, particularly Islamic banking, poses an additional obstacle to the growth of this sector and the proper implementation of its mechanisms. Comparing these results with previous studies, such as those by Othman Chakima and Awadi Abdelkader (2023) and El Lekrib Kamel and Kadem Fatima (2021), reveals a clear consensus. All studies confirmed the weak implementation of Takaful insurance in Algeria and pointed to the same challenges, particularly concerning production, marketing, and the legal and regulatory framework. This consensus reflects the fact that the problems facing the sector are persistent structural issues requiring comprehensive reforms rather than partial solutions.

Recommendations:

Based on the study's findings, the following recommendations can be made :

- The legislative and regulatory framework must be developed to align with the specific characteristics of Takaful insurance, clarifying management models and operational mechanisms in accordance with international standards (AAOIFI) .
- The establishment of new Takaful insurance companies should be encouraged to enhance competition and reduce the dominance of conventional insurance. Islamic banking in Algeria should be supported and developed, given its complementary role in investing Takaful funds in a Sharia-compliant manner .
- Intensified media and awareness campaigns should be launched to promote insurance literacy and correct prevailing misconceptions about insurance. Developing university and vocational training programs in the field of Takaful insurance, with a focus on training specialized human resources.
- Adopting modern marketing strategies based on digitalization and technology to reach various segments of society. Strengthening cooperation between regulatory bodies and insurance companies to develop innovative Takaful products that meet the needs of the Algerian market .
- In conclusion, the development of Takaful insurance in Algeria requires the combined efforts of various stakeholders, including public authorities, financial institutions, and academic bodies, to build an integrated insurance system that keeps pace with global developments and responds to the needs of Algerian society.

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