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Takaful Insurance: Navigating Challenges in Algeria Amidst Global Growth التأمين التكافلي : مواجهة التحديات في الجزائر في ظل النمو العالمي

Rebbah mohamed ¹, bouaouina salima ²

¹ PHD Student, tipaza university center , rebbah.mohamed@cu-tipaza.dz

² University Professor, tipaza university center , bouaouina.salima@cu-tipaza.dz

رباح محمد ¹، بوعوينة سليمة ²

¹ ط.د، المركز الجامعي تيبازة، كلية العلوم الاقتصادية وعلوم التسيير والعلوم التجارية، قسم العلوم الاقتصادية ،

مخبر المقاولاتية والتنمية السياحية ، rebbah.mohamed@cu-tipaza.dz

² أ.د بوعوينة سليمة ، المركز الجامعي تيبازة، كلية العلوم الاقتصادية وعلوم التسيير والعلوم التجارية، قسم العلوم

الاقتصادية ، مخبر الاقتصاد الأخضر والتنمية في الجزائر ، bouaouina.salima@cu-tipaza.dz

Corresponding author: rebbah mohamed,

email:rebbah.mohamed@cu-tipaza.dz

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Abstract:

This research aims to study Takaful insurance in terms of concept and importance, analyze its current reality in Algeria, highlight the challenges that hinder its development, and explore the prospects for its success as a Sharia-compliant insurance alternative, as the Takaful insurance industry has experienced rapid growth at the global level, indicating positive expectations for the development and success of this industry. However, the Takaful insurance market in Algeria faces many challenges to its adoption and success, so we tried through the study to present the conceptual framework of Takaful insurance and monitor the reality and prospects of this type of insurance, its challenges, prospects and requirements for its success.

Keywords: Insurance, Takaful Insurance, Challenges of Takaful Insurance

المخلص

يهدف هذا البحث إلى دراسة التأمين التكافلي من حيث المفهوم والأهمية، وتحليل واقعه الراهن في الجزائر، مع تسليط الضوء على التحديات التي تعيق تطوره، واستكشاف آفاق نجاحه كبديل تأميني متوافق مع الشريعة الإسلامية، حيث عرفت صناعة التأمين التكافلي نمواً سريعاً على مستوى الصعيد العالمي، ما يشير لتوقعات إيجابية حيال تطوير ونجاح هذه الصناعة، وعلى الرغم من ذلك فإن سوق التأمين التكافلي في الجزائر أمامه العديد من التحديات لاعتماده ونجاحه، لذا حاولنا من خلال الدراسة عرض الإطار المفاهيمي للتأمين التكافلي ورصد واقع وافاق هذا النوع من التأمينات وتحدياته واستشراف افاقه ومتطلبات نجاحه.

الكلمات المفتاحية: التأمين، التأمين التكافلي، تحديات التأمين التكافلي

1. INTRODUCTION

In recent years, Takaful insurance has experienced considerable dissemination and growth, emerging as a contemporary insurance model within Islamic nations due to prevailing reservations surrounding conventional insurance practices. The remarkable success achieved by Takaful enterprises in numerous countries, which have proficiently established and advanced this industry, has positioned them as formidable competitors to traditional insurance companies.

The Takaful insurance industry has garnered significant acceptance among Muslims, as it is based on the foundational principles of cooperation, mutual support, and risk mitigation for individuals and institutions. Consequently, Takaful insurance products and services were formulated to

serve as an alternative to conventional commercial insurance contracts. Nevertheless, it has not achieved the same level of success and prevalence in Algeria as it has in other Islamic and Western nations, due to various impediments and obstacles. This leads to the formulation of the following research problem:

What are the most salient challenges impeding the growth of Takaful insurance in Algeria, and how can the global expansion of this sector be leveraged to foster its development locally?

Research Objectives:

- To elucidate the concept and significance of Takaful insurance.
- To ascertain the current status of Takaful insurance in Algeria and identify the principal challenges it confronts.

- To explore the prospects for the development and success of Takaful insurance in Algeria.

Research Significance:

The significance of this research lies in its examination of a pivotal subject: Takaful insurance.

2. The Conceptual Framework of Takaful Insurance

Defining Takaful Insurance: Takaful is a covenant among a collective of participants to mutually assist one another, collaborating to shoulder the losses stemming from specified risks. Within a Takaful arrangement, participants contribute to a communal fund as a voluntary donation (*tabarru'*). The proceeds of this fund are then utilized to indemnify members against particular forms of loss or damage. (naas & Quadri, 2012, p. 4)

Alternatively, it is described as a collaborative endeavor by a group of individuals, all exposed to a similar category of risk, to indemnify the losses that may befall any one of them. This is actualized through the subscription of monetary sums, which are subsequently used to compensate the subscribers upon the occurrence of the insured peril. (ali, 2011, p. 240)

Thus, Takaful insurance represents the cooperation of a group of individuals to bear potential risks and damages through the establishment of a non-profit-oriented account (fund) that possesses a distinct and independent financial personality. Into this fund, premiums and revenues are aggregated, and from it, disbursements for claims and operational expenditures are made. Any remaining balance is regarded as a surplus. The fund's administration and investment activities are delegated to a specialized company operating in strict adherence to the tenets of Islamic Sharia. (Bahlouli & khouawlid, 2012, p. 4)

It is also designated as 'mutual insurance' because the participants reciprocally share the burdens of peril and bear its damages should one of them encounter the insured event. In this structure, each member simultaneously embodies the roles of the

insurer, the insured, and the beneficiary. The collective of natural persons (individuals) or juridical entities (corporations) holding Takaful insurance policies is referred to as the "body of participants" or "assembly of policyholders." By their policies, they receive coverage and are obligated to remit their Takaful premium "contributions" to the participants' fund. (ahmed, 2006, p. 15)

Furthermore, it is recognized as 'Islamic insurance,' a title that underscores its conformity with the principles and edicts of Islamic jurisprudence, serving to differentiate it from its conventional, commercial counterpart. (mostapha, 2011, p. 3)

Synthesizing the preceding definitions, it becomes evident that Takaful insurance is fundamentally "a collaborative enterprise wherein a group of individuals undertakes to mutually bear and distribute risks among themselves through the payment of contributions on a gratuitous, donative basis."

2.1. Principles of Takaful Insurance

The Takaful insurance contract is founded upon the following principles:

2.2.1 The Commitment to Donation (*Tabarru'*): The participant commits to donating the value of the premium. Correspondingly, any coverage received by the insured "participants" is also regarded as a donation from the collective fund.

2.2.2 Cooperation (*Ta'awun*): The insurance system, both in its philosophy and structure, is a meticulously organized system of cooperation among a large number of individuals who are all exposed to a specific risk. Should the peril materialize for one of them, all participants act in solidarity to confront it.

2.2.3 Avoidance of Prohibited Investments: Conventional commercial insurance often invests its surplus premium funds in fields that yield high profits, irrespective of their permissibility under Islamic law, or deposits premiums in banks in exchange for interest (*riba*). In contrast, the Takaful system mandates that any surplus from contributions be invested in ways that are fully compliant with the provisions of

Islamic Sharia, thereby eschewing interest-based transactions. (arabi & ghania, 2017, p. 95)

2.2.4 Avoidance of Ambiguity (*Jahalah*) and Excessive Uncertainty (*Gharar*): The conventional insurance system is often characterized by ambiguity and excessive uncertainty. At the time of contracting, the insured is unaware of whether they will receive the insurance sum. Furthermore, both the insurer and the insured are ignorant of the precise amount of compensation. This uncertainty regarding the term and outcome is forbidden in Islamic law.

2.2.5 Avoidance of Gambling (*Qimar*) and Wagering (*Rihan*): Conventional insurance can entail a probability of gain or loss akin to wagering. For instance, an insured individual might pay a specific premium in the hope of receiving a much larger sum in the future, which is a form of gambling. In Takaful, however, the participant assumes the roles of both insurer and insured, and the contribution paid remains their property unless claims or losses are incurred. Moreover, any compensation received is considered a donation from the fund, reaffirming the spirit of solidarity and mutual support. Consequently, any semblance to gambling or wagering is negated. (koudid & ben mensour, 2012, p. 6)

2.3. Characteristics of Takaful Insurance: The Duality of Roles for Each Member: A paramount characteristic is the mutual exchange of benefits and sacrifices among the members of the insurance collective. Compensation for a member who suffers a peril is disbursed from the proceeds of contributions paid by all members. The aggregate of these contributions thus constitutes the balance of the common fund.

- **Absence of a Profit Motive in Insurance Operations:** This form of insurance does not endeavor to generate profit from its underwriting activities. Participants remit their insurance contributions with a donative intent rather than for financial gain. (aouadi & chekima , 2023, p. 718)

- **The Foundational Principle of Donation:** The fundamental basis uniting participants in Takaful insurance is the act of voluntary contribution (*tabarru'*).
- **Participant Ownership of the Takaful Fund:** The contributors are collectively considered the proprietors of the Takaful fund.
- **Subjection to Sharia Supervisory Oversight:** Takaful insurance operations are subject to the diligent supervision of a Sharia regulatory board. (Bakraoui, 2023, p. 30)

2.4. The Significance of Takaful Insurance:

Its importance is manifested in the following points:

- **Fostering Security and Assurance for Participants:** The cooperative principle that underpins the Takaful insurance system serves to mitigate the risks that may afflict any single member by distributing them among all the insured. This provides a sense of security, allowing participants to conduct their affairs with diligence and tranquility, reassured by the knowledge that any potential loss will be shared among the collective, with compensation disbursed from the subscription fund.
- **Facilitating Legitimate Earnings:** This form of insurance provides a conduit for lawful (*halal*) gains, both for the participants and the operating company, as all projects and investments undertaken with the fund's capital are in strict conformity with Islamic Sharia.
- **Embodying Islamic Jurisprudence in Modernity:** The Takaful company stands as a testament to the enduring validity and adaptability of Islamic Sharia across all times and places. It actualizes the concepts of cooperation and justice, eschewing exploitative and self-serving practices.
- **Contributing to Economic Development and Prosperity:** By mobilizing and investing participants' funds through legitimate channels,

Takaful insurance plays a vital role in advancing and sustaining the economy. This process contributes to reducing unemployment and poverty within society, while also facilitating the creation of new employment opportunities.

- **Completing the Edifice of the Islamic Economy:** Takaful constitutes a fundamental pillar of the Islamic economic system, forming an integral part of the Islamic financial system alongside Islamic banks, Islamic reinsurance companies, and Islamic financial markets. The relationship between these institutions is one of synergy and integration, where the success of each entity necessitates the support of the others. (Hermouch & mekimeh , 2019, p. 70)

- **Enhancing Agricultural Development:** Takaful insurance significantly contributes to the progress of agricultural development by providing coverage for investments in the sector. This includes insurance for agricultural equipment, machinery, and transportation, as well as protection against agricultural perils that affect crop yields, such as natural disasters, plant diseases, and livestock mortality. (Bechker, 2020, p. 30)

2.5. Types of Takaful Insurance

Takaful insurance manifests in two primary forms (Bahlouli & khouawlid, 2012, p. 05)

- **Simple Takaful (Direct Mutual):**

This refers to a cooperative arrangement among a group of individuals to avert damages resulting from a specific peril. Each member contributes a sum of money, and from this collective pool of contributions, any member who suffers the peril is compensated. If a surplus remains, it is returned to the members; if the contributions are insufficient, an additional levy is collected from them.

- **Composite Takaful (Developed Mutual):**

This is fundamentally a simple Takaful model, but its administration is delegated to a specialized company acting as an agent (*wakil*). In this structure, all insured individuals are also shareholders in the management company, which constitutes its general assembly and, subsequently, its board of directors.

The essential difference between them lies in scale and administration. In simple Takaful, the number of insured members is limited, and they are typically known to one another. However, as the number of members grows and the variety of risks diversifies, they require an independent management entity to oversee their affairs. This entity, the insurance company, is formed among them based on a formal agency agreement for a specified fee.

2.6. The Operational Mechanism of Takaful Insurance

Participants place their premiums into the Takaful fund based on a donation (*hiba*) with the condition of reciprocal consideration, collaborating to dissipate risks.

Contributions are paid as an endowment to the fund, which possesses an independent legal personality. This enables it to own and invest assets, managing them by its governing regulations, typically on an agency-for-fee (*wakala bi al-ajr*) basis.

The Takaful company is entrusted with investing a portion of the fund's assets. For this service, an investment agency fee or a share of the profits is entitled, if the arrangement is a profit-sharing (*mudaraba*) venture. (Alakrib & kadem, 2021, p. 19)

2.7. Challenges and Impediments Facing Takaful Insurance

The Takaful industry confronts numerous challenges and threats that must be acknowledged, addressed, and surmounted. We summarize them as follows:

2.7.1. Jurisprudential (Sharia) Challenges:

These challenges pertain to the non-adherence of some Takaful companies to established Sharia precepts and controls in

their transactions. Examples include excessive dealings with conventional insurance and reinsurance companies; the failure to distribute the insurance surplus or, conversely, allowing founders to share in it with policyholders; insuring assets that are not permissible under Sharia law; the commingling of funds from different branches, such as family and general Takaful; the lack of separation between company accounts and participant fund accounts; and the improper application of management models from a Sharia perspective. Such violations tarnish the reputation of the Takaful industry as a whole and provide an opportunity for detractors and opportunists to argue that no substantive difference exists between it and conventional insurance. This contributes to the recurring debate over the legitimacy of Takaful, which is often revived to negate the distinctions between the two systems.

2.7.2. Challenges Related to the Function of Sharia Supervisory Boards:

Despite the vital role played by Sharia supervisory boards in advancing Islamic financial institutions, including the Takaful industry, their effectiveness is hindered by several challenges, most notably: – A deficiency among board members in the high-quality technical and professional qualifications specific to insurance, which can adversely affect the soundness of their religious edicts (*fatwas*), compounded by the multiplicity of their professional engagements. In this regard, the General Council for Islamic Banks and Financial Institutions (CIBAFI) issued a study which states: "Islamic banks will face many problems in the next stage when forming their Sharia supervisory boards, most prominently the scarcity of specialists in modern banking transactions and economic issues, which leads to a lack of a clear perception of the issues and, consequently, difficulty in arriving at the correct Sharia ruling." – The existence of numerous financial institutions that do not accord due importance to the Sharia supervision system, which in turn encourages employees to

disregard its mandates. The clear inference is that the Sharia supervisory function is indispensable for the advancement of the Islamic financial system, bestowing upon it legitimacy and public confidence.

2.7.3. Legislative and Legal Challenges:

A notable divergence exists in the legislation governing the Takaful insurance sector across Arab and Islamic nations. Some countries, such as Sudan and the Kingdom of Saudi Arabia, predicate their economies on Islamic Sharia. Others, like Malaysia, have developed a specific legislative framework for Islamic insurance while retaining the existing legislation for conventional insurance. Meanwhile, in most countries, Takaful companies continue to operate under the authority of supervisory bodies established for traditional insurers. This subjects them to a regulatory environment that lacks fixed, specific, and publicly declared state-mandated standards, entangling them in jurisprudential and organizational predicaments concerning the benchmarks set by international bodies and federations that define the operational standards for Takaful firms.

2.7.4. Challenges Related to Competition:

Takaful insurance companies are few, largely nascent, and often characterized by modest capitalization. They consequently face intense competition from their conventional insurance counterparts, which benefit from their long-standing history, deep market penetration, and the vast capital reserves amassed over their operational lifetimes. Conventional insurers also possess established cadres of technical experts across all required specializations, as well as superior marketing, distribution, and technological capabilities. This enables them to offer insurance services that are more competitive in terms of coverage, price, quality, and distribution. Furthermore, these incumbents are now venturing into the Takaful industry themselves, either by opening dedicated branches or "windows," or by acquiring stakes in existing Takaful companies. This affords them a preemptive competitive advantage and a superior market

position. On the other hand, this trend may ultimately be detrimental to the integrity of the Takaful industry itself, given that the primary objective of these conventional firms is profit generation, potentially without strict adherence to the necessary Sharia controls.

2.7.5. Challenges Related to Reinsurance:

Reinsurance presents a significant obstacle to the complete and ideal application of the Takaful model. This impediment has begun to diminish, however, with the substantial increase in the number and global proliferation of Takaful and Retakaful companies. Indeed, as previously noted, even the most significant global reinsurance corporations have moved swiftly to establish Retakaful windows to secure their share of the burgeoning Takaful market. Nonetheless, the Takaful industry continues to face a scarcity of Takaful companies at the domestic level in some countries, which negatively impacts the application of internal Takaful reinsurance. Additionally, a palpable lack of genuine cooperation among Takaful companies at the local level is observable in certain nations.

2.7.6. Challenges Related to Insurance Awareness and the Culture of Takaful:

A "culture of Takaful" implies a genuine comprehension of the essence of Takaful insurance, its objectives, and the critical distinctions between it and conventional insurance. Islamic insurance suffers from a low level of awareness among the general Muslim public and even within the educated class. More concerning, this proficiency is also deficient among employees within the Takaful sector itself, many of whom may regard their work merely as a means of livelihood. All these factors have led to a conflation of Islamic and conventional insurance, fostering the perception that no real difference exists between them. This has led some to abstain from insurance altogether, citing perceived jurisprudential ambiguity, a lack of trust, and a desire to avoid uncertain matters as a precautionary measure.

2.7.7. Challenges Related to Human Resources:

The Takaful insurance sector faces a shortage of specialized technical personnel across the full spectrum of functions required for the effective management of its operating companies. This includes marketing, administration, planning, risk management, underwriting, and claims management. This is to say nothing of their deficient Sharia qualifications and lack of comprehensive knowledge of the Islamic jurisprudence pertinent to the Takaful industry. (Bouazouz, 2015, pp. 23-25)

3. The State of Takaful Insurance in Algeria

In its effort to develop the Takaful insurance industry, the Algerian state enacted a law to regulate Takaful operations on 28 February 2021 (corresponding to 16 Rajab 1442). This legislation comprises a set of articles that define the conditions and modalities for its practice, structured into three chapters, each addressing a specific aspect. Chapter One pertains to general provisions; Chapter Two describes the conditions and methods for practicing Takaful insurance; and Chapter Three concerns the organization and management of Takaful insurance companies. A summary of its most salient provisions is presented below: (Gazette, 2021)

3.1. Chapter One: Contains two articles.

Article 02: This article provides definitions and explanations of terminology related to Takaful.

Family Takaful:

The equivalent of "insurance of persons" (life insurance) in the commercial insurance framework.

General Takaful:

Corresponds to "insurance against damages" (non-life insurance) in the traditional insurance framework.

Participants' Fund or "Participants' Account": An account wherein contributions and investment income are deposited, and from which claims and management costs are paid.

Shareholders' Account or "Shareholders' Fund": An account exclusive to the company practicing Takaful or Retakaful,

which must be maintained entirely separate from the Participants' Fund.

Qardh Hasan (Benevolent Loan): An interest-free credit facility, repayable within an agreed-upon term, intended to cover any deficit recorded by the Participants' Fund.

Article 03: Defines Takaful insurance as "an insurance system based on a contractual method in which natural or legal persons, called 'participants,' enroll. The participants, who pledge to assist one another in the event of risks materializing or at the end of the Takaful contract term, proceed by paying an amount in the form of a donation called a 'contribution.' The contributions thus paid permit the creation of a Participants' Fund or 'Participants' Account.' The operations and acts related to the business of Takaful insurance must comply with the principles of Islamic Sharia."

3.2. Chapter Two: Defines the conditions and modalities for practicing Takaful insurance through the following articles:

Article 04: Stipulates that Takaful insurance shall be practiced by the provisions of Article 203 of Ordinance No. 95-07 of 25 January 1995. This can be done either through an insurance company exclusively dedicated to Takaful operations or via an internal structure known as a "window" within a conventional insurance company. In the latter case, the insurance company is mandated to ensure a complete technical, accounting, and financial segregation of Takaful operations from its conventional insurance activities.

Article 05: Specifies that Takaful insurance is to be practiced by an insurance company in one of two forms: Family Takaful or General Takaful.

Article 06: Outlines the requisite file for establishing a Takaful "window," which must include:

The operational model the company intends to adopt, by Article 09.

A list of the members of the Sharia Supervisory Committee, accompanied by documentation verifying their knowledge in the field of Islamic Sharia and a certificate of nationality for each member.

The organizational structure that the company plans to implement for its Takaful practice.

A formal undertaking from the company to ensure the complete separation of the Participants' Account and the Shareholders' Account, as stipulated in Article 21.

The method adopted for distributing the surplus of the Participants' Fund, as prescribed in Article 23.

Article 07: Details the documents that must be included in the accreditation file to practice Takaful insurance.

Article 08: Addresses the management of funds, mandating the creation of two separate funds: one for participants and another for the company's administration.

Article 09: Defines the operational models a company may adopt to manage the Participants' Account, which can be the Agency (*Wakala*) model, the *Mudaraba* (profit-sharing) model, or a hybrid model combining both. In Articles 10, 11, and 12, the Algerian legislator elaborates on each model, specifying the fee the company receives for managing its insurance operations. If necessary, recourse is made to the insurance supervisory authority as stipulated in Article 13.

Articles 14 through 20: These articles address the Sharia Supervisory Committee, its composition, and appointment procedures. The committee must consist of at least three members appointed by the General Assembly of the Takaful company upon the proposal of the Board of Directors. Their term is three years, renewable. The committee elects a chairperson from among its members. Conditions for membership include Algerian nationality, certified qualifications in the Islamic finance industry, and independence (i.e., not an employee of the Takaful company).

3.3. Chapter Three: The Organization and Management of Takaful Insurance Companies

Article 21: Specifies the method for maintaining financial and accounting records, requiring a separate account for the investment of the Takaful company's

shareholder capital and another for the investment of participant funds. The latter records revenues (including investment income, salvage and subrogation, and other income) and expenditures (such as claims, reserves, and other management expenses).

Articles 22 and 23: Address the technical result, which is the difference between revenues and expenditures, and the method for distributing a positive outcome (surplus) among the participants.

Article 24: Stipulates that in the event of a negative result (deficit), the company may grant the Participants' Fund a *Qardh Hasan*, which is to be repaid during subsequent periods when the fund's result is positive. The legislator also capped the amount of the *Qardh Hasan*, which cannot exceed 70% of the shareholders' funds.

Article 25: Pertains to reinsurance operations. A Takaful company must conduct its reinsurance (Retakaful) activities with companies that practice Retakaful. Should this prove unfeasible, recourse to conventional reinsurance companies is permissible following a formal decision issued by the Sharia Supervisory Committee.

Article 26: Concludes by stipulating that Retakaful companies are subject to the same conditions as Takaful insurance companies

4. Takaful Companies in Algeria

4.1. The Experience of Salama Assurances

Salama Assurances Algérie was established as an extension or branch of the Saudi Arabian Islamic Insurance Company (IAIC), an Emirati entity with its corporate headquarters in the Kingdom of Saudi Arabia. Salama Assurances Algérie was licensed by Decree No. 46, issued on 2 July 2006, by the Ministry of Finance, following the acquisition of the companies "El Baraka" and "El Amane," which were established on 26 March 2006. (Mesmous & amira, 2023, p. 275)

Subsequently, Salama Assurances became a joint-stock company with a share capital of 4.5 billion Algerian dinars at its founding, the majority of shares being held by the international Salama Group for insurance and

reinsurance. (Felag, bouziane, & hamdy , 2020, p. 122)

4.1.1. General Products of Salama:

Automobile Insurance

Industrial Risks Insurance

Insurance for Projects, Engineering Works, and Construction Sites

Simple Risks Insurance for Individuals (shops, residences)

Land, Sea, and Air Transport Insurance

Various Civil Liability Insurances

Reinsurance Operations. (aouadi & chekima , 2023, p. 722)

4.1.2. Takaful Products at Salama:

Takaful and Capital Accumulation:

Provides for the provision and payment of capital at the time of retirement.

- **Takaful and Social Welfare:** In the event of the insured's death or total and permanent disability, this allows for immediate payment to the designated beneficiaries in the form of life insurance.
- **Takaful and Credit:** Ensures the repayment of the outstanding loan balance to the lender in the event of the insured's death, designed for public and private sector employees.
- **Benefits of Takaful Products:** These flexible benefits enable individuals to build a pension and protect their family in the event of natural death or disability by allocating a pre-determined lump sum to beneficiaries. (Fellag , 2015, pp. 289-291)

4.1.3. Management of Takaful Insurance

within the Company: Salama Assurances Algérie employs three Sharia-compliant models in conducting its financial operations and managing its Takaful funds: the *Mudaraba* model, the *Wakala* model, and a hybrid model. The latter is the most practiced within the company. A brief overview of the three models is as follows:

- **Wakala (Agency) Model:** The company acts as an agent on behalf of the insured, managing insurance operations and investing premiums in exchange for a predetermined fee.

- **Mudaraba (Profit-Sharing) Model:** The company undertakes the management of the fund in exchange for a fee calculated as a pre-determined share of the technical and financial surpluses generated by the fund.
- **Hybrid Model (Wakala and Mudaraba):** The remuneration consists of both an agency commission and a pre-determined share of the technical and financial surpluses generated by the fund. (Melyani & Melyani, 2022, p. 270)

4.2. El Moutahida Takaful Algérie:

Established on 21 September 2022, this company is primarily active in the field of Family Takaful. It is the product of a consortium comprising six banks (BNA, CPA, BADR, BEA, CNEP, and BDL) and four public sector insurance companies (CAARAMA, TALA, AGLIC, and AMANA). It currently offers a single product: insurance for financing related to Islamic banking. The company's initial focus has been on recruiting skilled personnel and establishing marketing channels. (Elmoutahida-takaful, 2023)

4.3. El Djazair Takaful:

Established on 30 May 2022, this company specializes in General Takaful. (CNA, 2023)

4.4. Takaful GAM:

Following the publication of Executive Decree No. 21-81 of 23 February 2021, which specified the conditions and modalities for practicing Takaful insurance, GAM ASSURANCE obtained approval from the Ministry of Finance to establish a "General Takaful Window," which was officially created on 1 April 2022. (GAM, 2023)

5. A Proposed Strategy for the Development of the Takaful Insurance Industry in Algeria

For Takaful insurance to succeed in Islamic countries, particularly in Algeria, paramount attention must be given to its Sharia credibility, which is the fundamental starting point for achieving economic and

social efficiency in Islamic Takaful. This requires confronting the challenges facing Takaful, both now and in the future, by formulating a strategy that secures the industry's jurisprudential credibility alongside its economic and social competence. Such a strategic vision should be based on the following pillars: (Berkan & Berkan, 2019, pp. 172-173)

- **Eradicating Doubt Regarding the Legitimacy of Islamic Takaful:** This involves clearly articulating the foundations from which it derives its legitimacy and the governing Sharia controls that highlight the substantive differences between it and conventional commercial insurance. Making this a foremost priority for Islamic Takaful companies is essential for spreading awareness, employing all forms of media and publication to dispel confusion in a rational, methodologically sound, and innovative manner.
- **Mitigating Jurisprudential Differences within the Takaful Industry:** This can be achieved by focusing on collective scholarly reasoning (*ijtihad*) through fiqh academies and adhering to their resolutions. This is particularly crucial for resolving issues related to the Takaful industry, including its jurisprudential structure, contractual relationships between its parties, reinsurance, and other emerging problems.
- **Establishing and Developing a Conducive Legislative Architecture for the Islamic Takaful Industry:** It is incongruous for Islamic nations to adopt legislation that favors conventional insurance while placing obstacles in the way of Takaful. On the contrary, Islamic countries should be incubators for Takaful, creating an integrated legislative framework that enables it to flourish, particularly in terms of the legal codification of the insurance system.

- **Activating the Role of Sharia Supervision in the Takaful Industry:** This requires enhancing the effectiveness and efficiency of both internal and external Sharia control systems. Specifically, this involves relying on external Sharia audit firms as an alternative to having only an in-house supervisory board and creating pathways for the training and promotion of new Sharia supervisors to achieve tangible credibility. Through this, Sharia supervision can evolve from a scope of mere post-auditing to one of proactive, concurrent, and subsequent oversight of all insurance operations. This, in turn, necessitates the establishment of a state-level Sharia supervisory system within the national insurance regulatory authority, through the creation of a central committee for Sharia consultation that would serve as a unified and authoritative jurisprudential reference.

5: A Global Overview of Takaful Insurance:

A variety of statistics indicate significant growth in the Takaful insurance market worldwide. The development of this market reflects a clear trend toward enhancing quality, expanding services, and increasing awareness of the importance of Takaful insurance in numerous countries.

Table 01: Takaful Insurance Assets in Select Countries, Unit: Billion USD

Country	Iran	Saudi Arabia	Malaysia	Indonesia	United Arab Emirates	Turkey	Qatar	Bangladesh	Pakistan
Asset Size	20	17	12	4	3	2	1	1	1

Source: (Islamic Finance Development Report 2021, p. 34)

The table reveals the significant lead of Iran, Saudi Arabia, and Malaysia in Takaful insurance assets compared to other nations. This is attributable to the maturity and structure of their respective Takaful systems, reflecting a substantial disparity in asset volume between countries. This suggests variations in local market maturity and the level of state support. The sector has witnessed positive evolution in recent years, aided by the presence of an active Takaful market that caters to a diverse range of needs, including health, travel, automobile, and life insurance, alongside the emergence of innovative insurance products and the enhancement of market regulation and oversight.

Table 02: Global Growth of Takaful Insurance Assets (2014-2020) Unit: Billion USD

Year	2014	2015	2016	2017	2018	2019	2020
Assets	36	47	48	46	47	54	62

Source: (Islamic Finance Development Report 2021, p. 33)

The global Takaful insurance sector experienced notable growth and development over the last decade. According to reports and statistics, total gross contributions reached approximately \$62 billion in 2020. This expansion can be attributed to several key factors:

Increased awareness of the industry's importance and the diversification of Takaful products to encompass a wide array of coverages.

Improvements in industry regulation and oversight, which have helped bolster confidence and stability.

Technological advancements that have enhanced the provision and management of insurance services.

• **Table 03: Takaful Insurance Turnover (Gross Contributions) by Region, 2020** Unit: Million USD

Region	GCC	Middle East & North Africa (ex-GCC)	Southeast Asia	Europe	South Asia	Americas	Other Asian Countries
Turnover	22,594	19,877	15,846	2,402	1,322	4	0.04

Source: (Islamic Finance Development Report 2021, p. 33)

For greater clarity, the data from Table 03 illustrating the regional breakdown of Takaful contributions in 2020 can be further analyzed.

The data reveals a commanding lead by the Gulf Cooperation Council (GCC) countries, with contributions amounting to \$22.594 billion in 2020. These nations have significantly developed and fortified this industry in recent years, successfully building a robust Takaful sector. Factors contributing to this success include:

A concerted effort by these states to promote Islamic principles and values within their economies.

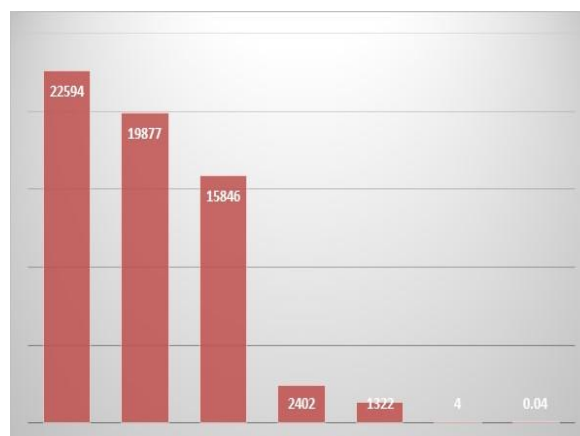
Economic stability, as GCC nations benefit from strong economies and vast natural wealth, enabling them to support and finance Takaful insurance companies.

Product diversification, with Takaful companies offering a wide variety of insurance products and services.

In the Middle East and North Africa (excluding the GCC), Takaful contributions reached \$ 19.877 billion, a figure that reflects the industry's continuous development, the evolution of regulations governing the Takaful market, and dedicated efforts to improve and diversify industry products. Meanwhile, Southeast Asian countries achieved \$ 15.846 billion, a testament to the significant efforts directed by these nations to promote Takaful. They are followed by European countries with \$2,402 million, where a growing demand for Takaful insurance is observable even among non-Muslims, driven by the increasing overall demand for Islamic financial products. In contrast, the Americas and other Asian countries recorded markedly lower figures of \$4 million and \$0.04 million, respectively.

To further understand the dynamics of contribution growth, we can reference data on the growth rates of Takaful contributions by country for the year 2022.

Figure 01: Takaful Insurance Contributions by Region, 2020



Source: Based on the information presented in Table 03

From this data, the following observations can be made:

The Kingdom of Saudi Arabia recorded the highest growth rate among the nations, positioning it as the most prominent market in terms of expansion. This indicates the strength of the Saudi Takaful market, supported by government initiatives and rising demand for the industry's products. Countries such as Qatar and Egypt demonstrate notable and comparable growth rates. These are positive indicators for both nations, reflecting the burgeoning development of their respective Takaful industries.

Lower growth rates are observed in other countries, suggesting the presence of challenges that impede the sector's growth. These challenges may include intense competition from conventional insurance companies, a lack of awareness regarding Takaful, or other inhibiting factors.

An analysis of Table 03 and Figure 01 reveals the preeminent position occupied by the Gulf Cooperation Council (GCC) nations, which commanded contributions of \$22,594 million in 2020. These states have made significant strides in developing and fortifying this industry in recent years, successfully establishing a formidable Takaful insurance sector. Among the principal factors catalysing this success are:

A dedicated pursuit by these nations to embed and reinforce Islamic principles and values within their economies.

Profound economic stability, as the GCC countries are endowed with robust economies and immense natural wealth, which confers upon them the capacity to support and finance Takaful insurance enterprises substantively.

Product diversification, with Takaful companies presenting a variegated portfolio of insurance products and services.

The Takaful insurance contributions in the Middle East and North Africa reached \$ 19.877 billion, a figure that attests to the perpetual evolution of the industry, the maturation of its legislative and regulatory frameworks, and the concerted efforts dedicated to the development, enhancement, and diversification of its product offerings.

Concurrently, the nations of Southeast Asia recorded \$15.846 billion, a result of their significant endeavors to promote Takaful insurance. Following them, European countries amassed \$ 2.402 billion, where a discernible increase in demand for Takaful products is noted, even among non-Muslim populations, propelled by the broader rising interest in Islamic financial products. In stark contrast, the Americas and other Asian countries reported significantly lower figures of \$4 million and \$0.04 million, respectively. To ascertain the contribution of Takaful insurance more precisely, we refer to the subsequent figure, which delineates the growth rates of Takaful contributions by country.

Figure 02: Growth Rates of Takaful Insurance Contributions by Country



Source:

<https://www.thebusinessresearchcompany.com/report/takaful-global-market-report>

This report delineates a compelling forecast for the global Takaful market, charting a course of vigorous and sustained expansion. The market's valuation is projected to ascend from an estimated \$32.85 billion in 2024 to a formidable \$57.86 billion by 2029. This impressive upward trajectory is underpinned by a robust compound annual growth rate (CAGR) of 12.0%, signaling a period of significant and consistent prosperity for the industry worldwide.

6.CONCLUSION

This study has established that Takaful insurance is predicated on the principles of donation, cooperation, solidarity, and

adherence to the tenets of Islamic Sharia in all its dealings.

Regarding its status in Algeria, the Takaful sector faces numerous difficulties and challenges that hinder its development and success. However, this has not precluded endeavors to persevere and exert greater effort to keep pace with and compete against conventional insurance companies.

Study Findings

Takaful insurance is founded upon donation (*tabarru'*) and cooperation (*ta'awun*), and the Takaful contract is inherently free from excessive uncertainty (*gharar*) and interest (*riba*).

Substantive differences distinguish Takaful from conventional insurance, and its foundational principles serve as competitive advantages that can enhance its appeal.

A deficit in the insurance culture among the Algerian populace hinders the industry's development and growth.

There is inadequate attention to the development and qualification of human capital, particularly in the field of Islamic finance.

Statistical data reveals a significant gap between countries with large asset bases, such as Saudi Arabia and Iran, and those with smaller asset pools, like Turkey and Pakistan. Malaysia's leadership in the Southeast Asian region highlights its success in implementing Islamic finance strategies.

Major Islamic countries with large economies dominate the Takaful asset landscape.

Recommendations

Based on the foregoing conclusions, the following proposals are presented:

Embrace and integrate modern technological advancements in the Takaful sector to enhance the performance of its operating companies.

Focus on the qualification and capacity-building of the workforce within Takaful insurance companies.

Facilitate the entry of global Takaful insurance companies into the Algerian

market, allowing them to benefit from their expertise.

Expand the scope of Islamic banking operations and encourage the establishment of new Islamic banks.

Leverage the experiences of leading nations in the Takaful domain, such as Saudi Arabia and Malaysia, through the exchange of expertise and knowledge.

Invest in improving the digital infrastructure to streamline Takaful insurance processes and make them more attractive to customers.

Encourage academic studies and research in the field of Takaful insurance to analyze the market and identify opportunities for growth and development.

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