Revue des Réformes Economiques et Intégration En Economie Mondiale

Vol 20 N° 01 / 2026

EISSN 2600 - 6502

TAKAFUL INSURANCE AS A TOOL FOR SUSTAINABLE DEVELOPMENT: THE EXPERIENCES OF SAUDI ARABIA AND ALGERIA

Mansouri Cheyma[1*], Pr. Lahrache Tahar[2]

[1] The National Higher School of Islamic Sciences - Dar Al-Qur'an Algiers, Laboratory of Studies in Islamic Finance and Sustainable Development (LSIFSD) (Algeria), ch.mansouri@dar-elcoran.dz

[2] Higher School of Commerce Kolea, Laboratory of Economic Reforms, Development, and Economic Integration Strategy (Algeria), t_lahrache@esc-alger.dz

Date of Reception: 26/11/2025; Date of revision: 30/11/2025; Date of acceptation: 19/12/2025

Abstract:

This study aims to analyze the role of Takaful in promoting sustainable development by assessing its economic, social, and environmental contributions. Based on principles of cooperation and solidarity, Takaful serves as a fundamental pillar for financial stability and risk protection for individuals and institutions. Saudi Arabia is one of the leading global markets for Takaful insurance, with notable contributions from Tawuniya Insurance in enhancing financial inclusion and digital innovation. In contrast, the sector has witnessed growth in Algeria since its official launch, offering diverse products that support the economy and financial inclusion. However, it still faces legal and structural challenges that limit its impact on sustainable development.

This paper aims to explore the concept, significance, and role of Takaful insurance in sustainable development, focusing on the experiences of Saudi Arabia and Algeria. It also analyzes the challenges hindering sectoral growth and proposes solutions to enhance its contribution to sustainable development.

Key words: Takaful insurance, sustainable development, Takaful insurance products, Takaful insurance companies.

JEL Classification : G20 G22 G28

* mansouri cheyma, email address: ch.mansouri@dar-elcoran.dz

INTRODUCTION

The insurance sector is a vital part of the modern economy, contributing to financial stability by protecting individuals and institutions from potential risks. With the growing demand for Sharia-compliant insurance, Takaful has emerged as a legitimate alternative, based on mutual cooperation and solidarity among participants**.**

Takaful has grown significantly in several countries, notably in Saudi Arabia, a leading global market with a substantial share of total contributions. In Algeria, the sector has also developed after establishing a legal framework, allowing specialized companies to offer diverse Takaful products supporting economic and social sectors. However, structural and regulatory challenges still limit its impact on sustainable development**.**

Sustainable development has become a key objective for nations seeking to balance economic growth, social equity, and environmental preservation. Given Takaful's role in risk reduction, financial security, and ethical investments, a key question arises: **How does Takaful insurance contribute to achieving sustainable development?**

This research is structured around three main sections:

Section 01: the conceptual framework of Takaful Insurance and sustainable development

Section 02: the practical role of Takaful Insurance in achieving sustainable development - the case of Tawuniya insurance company (Saudi Arabia)

Section 03: development of the Takaful Insurance sector in Algeria and its contribution to sustainable development

SECTION 01: THE CONCEPTUAL FRAMEWORK OF TAKAFUL INSURANCE AND SUSTAINABLE DEVELOPMENT

I. THE CONCEPT AND PRINCIPLES OF TAKAFUL INSURANCE

1. THE DEFINITION OF TAKAFUL INSURANCE

Takaful is an alternative system of insurance whereby members contribute their financial resources to a common pool based on the principles of taawun (mutual assistance) and tabarru (donation) and the group undertakes to share the mutual risk. Generally, takaful is based on the idea of tabarru, which encompasses mutual assistance and mutual social security among the members. Tabarru is the concept of donation in Islam and is often used to mean the premium in takaful although the two terms are generally used interchangeably (Hassan, Kayed, & Oseni, 2013)**.**

According to AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) in its Standard No. 26, Takaful insurance is defined as follows: "Islamic Insurance is a process of agreement among a group of persons to handle the injuries resulting from specific risks to which all of them are vulnerable. A process, thus initiated, involves payment of contributions as donations, and leads to the establishment of an insurance fund that enjoys the status of a legal entity and has independent financial liability. The resources of this fund are used to indemnify any participant who encounters injury, subject to a specific set of rules and a given process of documentation. The fund is managed by either a selected group of policyholders, or a joint stock company that manages the insurance operations and invests the assets of the fund, against a specific fee." (AAOIFI Standard No. 26).

2. KEY PRINCIPLES OF TAKAFUL INSURANCE

2.1. PRINCIPLE OF COOPERATION AND MUTUAL SUPPORT

The foundation of the Takaful system is based on ta'awun (cooperation) and tadhamun (mutual support). Participants agree to help one another in times of loss or hardship. Each member contributes to a shared fund as a form of donation, which is then used to assist those who suffer financial difficulties. This cooperative model spreads the risk among all members and strengthens social solidarity and a sense of shared responsibility (Ali et al., 2014).

2.2. SEPARATION BETWEEN POLICYHOLDERS AND SHAREHOLDERS' FUNDS

As stated in AAOIFI Standard No. 26, Section 5/2, Takaful operators must keep a clear separation between the participants' (policyholders') fund and the shareholders' account. (AAOIFI Standard No. 26). All participants' contributions are deposited in the participants' fund, which is used to pay claims and manage operational expenses. The Takaful operator acts only as a manager or trustee of this fund, ensuring fair and transparent use of money. This separation protects participants' interests and upholds the fairness of the Takaful model (Puspita, Kolkiewicz, & Tan, 2020).

2.3. SHARIAH COMPLIANT INVESTMENT RULES

Investments made by Takaful funds must follow Islamic principles. Activities that involve riba (interest), gharar (excessive uncertainty), or maysir (gambling) are strictly forbidden. Takaful companies can only invest in halal sectors and must avoid industries such as alcohol, tobacco, pork, gambling, conventional finance, and weapons. This ensures that all investments are ethical and align with the values of Islamic finance (Douas, 2022).

2.4. THE SHARIAH SUPERVISORY BOARD

Every Takaful company must have a Shariah Supervisory Board to guarantee that all operations comply with Islamic law. According to AAOIFI Standard No. 5/9, this board oversees Takaful activities, gives religious opinions (fatwas), and ensures that all contracts and transactions follow Shariah principles. It also monitors governance and internal auditing to maintain transparency and trust (القرة الداغي, 2010).

2.5. DISTRIBUTION OF TAKAFUL SURPLUS

The Takaful surplus is the remaining balance in the participants' fund after paying all claims, reserves, and administrative costs. Unlike conventional insurance, this surplus does not belong to shareholders. Instead, it may be shared among participants or kept in the fund to strengthen it, depending on the company's chosen model and policy. This practice reflects fairness and reinforces the spirit of mutual benefit in Takaful (البراوي, 2010).

II. CONCEPT AND DIMENSIONS OF SUSTAINABLE DEVELOPMENT

1. DEFINITION OF SUSTAINABLE DEVELOPMENT

Sustainable development is a concept that emerged in response to growing environmental, social, and economic challenges threatening the continuity of natural resources and the well-being of future generations.

The World Commission on Environment and Development defined sustainable development as: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs." (WCED, 1987).

This definition, known as the Brundtland definition, is one of the most comprehensive and widely accepted formulations of sustainable development. It emphasizes the balance between meeting current societal needs and preserving the rights and opportunities of future generations.

2. DIMENSIONS OF SUSTAINABLE DEVELOPMENT

Sustainable development is built on three main, interrelated dimensions that work together to achieve balanced and comprehensive progress: (Abida, 2022)

a. **The economic dimension:** this dimension aims to ensure continuous and long-term economic well-being by providing essential life needs at the best possible quality, such as food, housing, transport, clothing, healthcare, and education. It focuses on maintaining a sustainable standard of living for individuals and communities;
b. **The environmental dimension:** this aspect emphasizes respecting the ecological limits of natural systems. Excessive consumption, resource depletion, and pollution can lead to environmental degradation. Therefore, policies must be established to regulate consumption, population growth, water use, deforestation, and soil erosion in order to preserve natural resources for future generations;
c. **The social dimension:** the human being is both the center and the ultimate goal of sustainable development. This dimension seeks to achieve social justice, reduce poverty, and provide social services to vulnerable groups. It also promotes democracy and transparency by encouraging public participation in decision-making, thereby fostering more stable, fair, and inclusive societies.

III. THE ROLE OF TAKAFUL INSURANCE IN ACHIEVING SUSTAINABLE DEVELOPMENT

Takaful insurance plays a vital role in promoting sustainable development by supporting economic and social progress while protecting the environment. Its contribution to sustainability can be highlighted through the following key areas (العلمي, 2018):

1. **Supporting industrial development:** Takaful insurance contributes to industrial development by protecting production assets such as equipment, machinery, and transportation means. This protection helps reduce financial losses resulting from insured risks. For example, fire insurance, engineering or industrial insurance, and workers' coverage ensure the continuity of production activities without the need for borrowing. This stability supports industrial sustainability. The 2015 European Union Report emphasized the essential role of insurance in protecting productive assets and maintaining industrial activity within the EU economies;
2. **Supporting agricultural development:** Takaful also plays a key role in agricultural sustainability by covering risks associated with agricultural investments. This includes insurance for agricultural equipment, tools, and transportation, as well as protection against natural disasters that may harm crops or livestock. Such coverage ensures the continuity of agricultural production and reduces the economic impact of environmental hazards on the agricultural sector;
3. **Promoting social development:** Takaful health and social coverage provide financial protection in cases of chronic illness, unemployment, disability (temporary or permanent), death, and retirement. In addition, family Takaful plans help participants accumulate savings and capital, functioning as a Shariah-compliant alternative to conventional life insurance. Contributions are managed and invested by the Takaful operator, and may be returned fully or partially to participants at the end of the contract if no claim occurs;
4. **Preserving the environment and supporting the green economy:** Takaful insurance supports environmental sustainability by financing eco-friendly and small-scale traditional industry projects, as well as providing coverage for environmental risks such as pollution or natural disasters. These

initiatives help promote a greener economy and reduce the negative impact of human activity on natural resource;

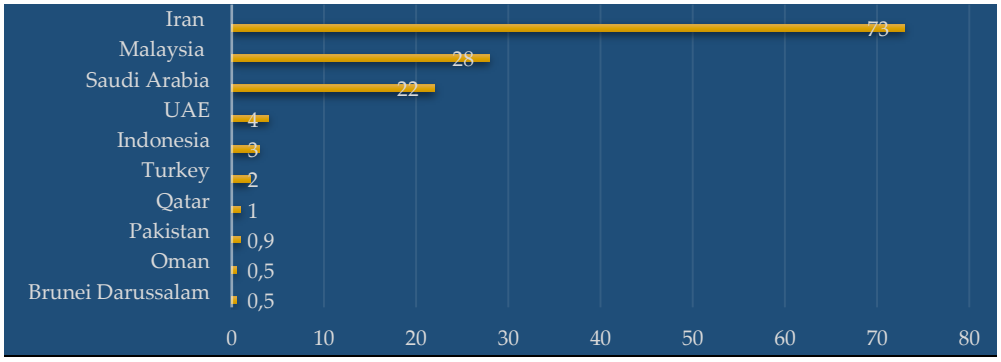
5. **Reducing unemployment and promoting employment:** the expansion of Takaful operations contributes to job creation by generating employment opportunities within Takaful companies and their branches. This in turn helps reduce unemployment rates and fosters inclusive economic growth.

SECTION 02: THE PRACTICAL ROLE OF TAKAFUL INSURANCE IN ACHIEVING SUSTAINABLE DEVELOPMENT - THE CASE OF TAWUNIYA INSURANCE COMPANY (SAUDI ARABIA)

To better understand how Takaful insurance contributes to sustainable development, it is essential to examine a practical example that demonstrates the successful integration of Islamic insurance principles with modern sustainability goals.

Firstly, the global Takaful industry has experienced remarkable growth, with total assets reaching approximately USD 135 billion in 2024, largely concentrated in Muslim-majority countries. Among the leading markets, Iran (USD 73 billion), Malaysia (USD 28 billion), and Saudi Arabia (USD 22 billion) account for the majority of global Takaful assets. (See Figure 01)

Figure 01: The most developed countries in terms of Takaful assets, 2024



Source: ICD – LSEG Islamic Finance Development Report 2025, p. 48.

Within this context, Saudi Arabia stands out as a key regional leader, combining robust market performance with a strategic commitment to innovation and sustainability in the insurance sector.

This section focuses on Tawuniya Insurance Company, Saudi Arabia's leading cooperative insurance provider, which serves as a pioneering model of how Takaful can promote economic, social, and environmental sustainability.

Established as the first cooperative insurance company in the Kingdom, Tawuniya has played a central role in shaping the Saudi insurance sector. Through its innovative programs, technological transformation, and commitment to ethical practices, the company has successfully aligned its operations with the United Nations Sustainable Development Goals (SDGs) and Saudi Vision 2030.

The following subsection analyzes Tawuniya's financial performance and its main initiatives in health and motor insurance, highlighting how these programs contribute to sustainable development.

I. TAWUNIYA INSURANCE COMPANY

Tawuniya Insurance company was established as a public joint-stock company in Riyadh, Kingdom of Saudi Arabia, by Royal Decree No. (M/5) dated January 9, 1985, and was officially registered on January 18, 1986, under the name National Company for Cooperative Insurance (NCIC). The company was launched with

an initial capital of SAR 500 million and is regarded as the pioneer and parent company of the Saudi insurance industry. (Alhumoudi, 2012)

The following table illustrates the development of Tawuniya Insurance company's key financial indicators during 2023 and 2024:

Table 01: Evolution of Tawuniya Insurance company's financial indicators between 2023 and 2024:

Unit: Billion Saudi riyals (SAR)

Financial indicator	2023	2024	Growth Rate (%)
Total Insurance revenues	15.3	18.3	+19.7%
Total gross written premiums (GWP)	18.4	19.8	+7%
Annual net profit	0.62	1.02	+65.8%

Source: adapted from https://www.argaam.com/sa-en/financial-reports/company-report/33/2024/1 **, accessed in 10 september 2025.**

The table illustrates the notable improvement in Tawuniya Insurance company's financial performance between 2023 and 2024. Total insurance revenues rose by 19.7%, reflecting the company's expansion in insurance services and the growing number of policyholders. Likewise, gross written premiums increased by 7%, indicating a rising demand for cooperative (Takaful-based) insurance products.

More significantly, Tawuniya achieved a substantial increase of 65.8% in its annual net profit, demonstrating enhanced operational efficiency and the company's ability to generate stronger profit margins.

These results highlight Tawuniya's strengthening position as a leading player in Saudi Arabia's Takaful insurance market. Beyond its financial success, the company contributes actively to sustainable development by promoting financial stability, expanding insurance coverage to underserved segments, and fostering financial inclusion across the Kingdom. Through innovation and responsible business practices, Tawuniya continues to support the national vision for a more resilient and inclusive economy.

II. TAWUNIYA INSURANCE COMPANY'S ROLE IN ACHIEVING SUSTAINABLE DEVELOPMENT

Tawuniya Insurance company adopts a comprehensive strategy to support sustainable development, in alignment with the United Nations 2030 Agenda and the Sustainable Development Goals (SDGs). Its role extends far beyond providing insurance solutions; it also encompasses active contributions to environmental, economic, and social development thereby enhancing both economic and social stability within the Kingdom of Saudi Arabia.

The company is committed to integrating sustainability principles into its operations, investments, and community programs. In doing so, Tawuniya focuses on several key areas, as outlined in its 2024 Annual Report: (Tawuniya report, 2024)

1. DEVELOPMENT OF HEALTH INSURANCE (SDG 3: GOOD HEALTH AND WELL-BEING)

Since 1991, Tawuniya has been providing comprehensive health insurance services through its cooperative health Insurance program, one of the most inclusive and advanced healthcare solutions in Saudi Arabia. The program aims to provide individuals and corporations with integrated healthcare coverage, encompassing top hospitals and medical services both inside and outside the Kingdom.

The health insurance division at Tawuniya Insurance company has consistently demonstrated strong performance, positioning the company as a national leader in customer-centered and innovation-driven

healthcare solutions. In line with Saudi Arabia's growing insurance market and Vision 2030 goals, Tawuniya has achieved sustainable growth in both financial and social dimensions, as illustrated in the following table:

Table 02: Key health Insurance performance indicators of Tawuniya (2022–2024)

Unit: Billion Saudi Riyals (SAR)

Indicator	2022	2023	2024	Change %
Total Written Premiums	9.92	12.47	13.96	+12%
Insurance Revenues	8.75	11.26	12.95	+15%
Share of Health Insurance in Total Company Premiums	69.1%	67.9%	70.4%	+2.5%

Source: Tawuniya annual report 2024

The data in table 02 show clear progress in Tawuniya's health insurance performance between 2022 and 2024. Total written premiums increased from SAR 9.9 billion in 2022 to SAR 13.96 billion in 2024, which means a growth of about 12% between 2023 and 2024. This steady increase shows that the company was able to attract more clients and meet the growing need for health coverage in Saudi Arabia.

At the same time, insurance revenues rose from SAR 8.75 billion in 2022 to SAR 12.95 billion in 2024, an increase of almost 15%. This growth reflects better management, improved service quality, and the company's strong focus on innovation and digital solutions.

The share of health insurance in total company premiums also went up from 67.9% in 2023 to 70.4% in 2024. This means that health insurance remains the most important part of Tawuniya's business and a main source of its success.

Overall, these numbers prove that Tawuniya is growing in a healthy and sustainable way. The company not only improves its financial performance but also helps society by supporting better health, reducing medical costs, and increasing access to quality healthcare. The following section presents the main features of Tawuniya's health insurance services that explain this success.

- Key features of Tawuniya's health insurance services include:
  - Comprehensive healthcare coverage across Saudi Arabia through an extensive network of accredited hospitals and medical centers;
  - Access to international medical services for cases requiring specialized treatment abroad;
  - Digital healthcare services, enabling patients to receive online medical consultations;
  - A robust medical network that ensures high-quality services through leading hospitals and clinics;
  - Emergency medical coverage in regions lacking accredited healthcare providers.

Through these initiatives, Tawuniya contributes directly to SDG 3 (Good health and well-being) by improving preventive healthcare, promoting healthier lifestyles, and reducing healthcare costs for individuals and businesses thereby supporting financial sustainability and social welfare.

2. INNOVATION IN FINANCIAL TECHNOLOGY TO STRENGTHEN THE INSURANCE SECTOR (SDG 9: INDUSTRY, INNOVATION, AND INFRASTRUCTURE)

Financial technology (FinTech) plays a pivotal role in driving digital transformation across the insurance industry by simplifying processes, reducing costs, and enhancing transparency. Tawuniya has been among the first insurance companies in Saudi Arabia to adopt digital and data-driven solutions, launching

innovative programs designed to improve customers quality of life and encourage safer, healthier behaviours. Among the most notable FinTech innovations adopted by Tawuniya Insurance are: (Tawuniya, 2024)

a. TAWUNIYA VITALITY (SMART HEALTH INCENTIVE PROGRAM)

Launched in October 2020, Tawuniya Vitality is the first digital health and wellness program in the Saudi insurance market. It combines smart technology, behavioral science, and data analytics to encourage customers to adopt healthier lifestyles through personalized health tracking and reward-based incentives. The program, which received the "Best Health Initiative" Award from the Council of Health Insurance (CHI), has become a leading model for preventive healthcare innovation in the Kingdom.

Between 2023 and 2024, membership expanded sharply from about 500 000 to 1.3 million participants a 160% increase reflecting the growing public awareness of preventive healthcare and the program's effectiveness in motivating sustained behavioral change. During the same period, the number of corporate and retail partners rose from 50 to more than 200, significantly expanding the network of digital rewards and engagement options for users. These improvements were accompanied by a notable decline in medical claim expenses, indicating that healthier habits are translating into lower treatment costs and improved portfolio sustainability.

By integrating smart wearable devices and real-time health monitoring, Tawuniya Vitality has successfully linked technology and wellness to financial performance. The initiative has strengthened the cooperative (Takaful-based) model by reducing healthcare costs, improving preventive care outcomes, and reinforcing financial sustainability.

Through these achievements, Tawuniya Vitality contributes directly to several Sustainable Development Goals (SDGs):

- **SDG 3 (Good health and well-being):** by promoting preventive healthcare and healthier lifestyles;
- **SDG 9 (Industry, innovation, and infrastructure):** by integrating digital innovation and smart technologies into insurance services.

Ultimately, Tawuniya Vitality illustrates how digital innovation can generate both social and economic value within the Islamic cooperative insurance framework, supporting Saudi Vision 2030's objectives of improved

b. TAWUNIYA DRIVE (SMART SAFE DRIVING PROGRAM)

Introduced in March 2021, Tawuniya Drive represents one of the most innovative telematics-based insurance programs in Saudi Arabia. It rewards safe drivers through a mobile application that collects driving data using in-car sensors. Participants earn reward points for maintaining responsible driving behaviors such as following speed limits, avoiding sudden braking, and minimizing phone use while driving. These points can be redeemed for benefits such as fuel discounts, car maintenance services, restaurant vouchers, and shopping rewards, all of which encourage safer and more sustainable driving habits.

This digital initiative reflects Tawuniya's broader strategy to integrate technology, safety, and sustainability in the motor insurance sector. The program has grown rapidly since its launch, attracting over 950 000 registered users in 2024, compared to 300 000 in 2023 and only 53 000 in 2022. This remarkable increase demonstrates the success of the company's digital transformation efforts and its commitment to promoting social responsibility and environmental awareness through safer mobility.

The success of Tawuniya Drive is closely linked to the strong overall performance of the company's motor insurance segment, as shown in the following table.

Table 03: Key motor Insurance performance indicators of Tawuniya (2022–2024)

Unit: Billion Saudi Riyals (SAR)

Indicator	2022	2023	2024	Change %
Total written premiums	1.04	2.80	2.63	-6.1%
Insurance revenues	0.78	1.86	2.78	+49.5%
Share of motor Insurance in Total company Premiums	7.3%	15.3%	13.3%	-2.0%
Registered drive users (in thousands)	53	300	951	+217%

Source: Tawuniya annual report, 2024.

The data indicate that Tawuniya's motor insurance segment remains one of the company's fastest-growing business lines. Insurance revenues almost doubled between 2023 and 2024, reaching SAR 2.78 billion, while the number of Drive program participants grew more than threefold. This shows that digital initiatives like Tawuniya Drive have strengthened customer engagement and loyalty, resulting in better retention and reduced loss ratios.

Although total written premiums slightly declined in 2024 (- 6.1%), this was mainly due to a strategic shift toward value-driven pricing and improved underwriting practices rather than aggressive competition. As a result, Tawuniya succeeded in enhancing profitability and maintaining service quality.

Through this innovative program, the company not only improves financial performance but also contributes directly to SDG 11 (Sustainable cities and communities) by supporting road safety, reducing accident rates, and fostering responsible driving behavior. These outcomes highlight the vital role of digital innovation in achieving sustainable mobility and long-term growth in the Saudi insurance sector.

3. PROMOTING FINANCIAL INCLUSION AND ECONOMIC EMPOWERMENT (SDGS 5 AND 8)

Tawuniya Insurance Company aligns its human capital development strategy with Sustainable Development Goals (SDGs) 5 and 8, which focus on gender equality and decent work and economic growth. The company has made significant progress in promoting fair and inclusive employment practices, improving workplace conditions, and supporting nationalization efforts all of which contribute to sustainable economic growth.

Table 04: Workforce development indicators at Tawuniya (2022–2024)

Indicator	2022	2023	2024	Change %
Total Employees	1,592	1,735	2,252	+30%
Female Employees (%)	41%	39%	35%	- 4%

Source: Tawuniya annual report, 2024.

The data presented in table 04 show that Tawuniya achieved a major expansion in its workforce, increasing the total number of employees from 1,735 in 2023 to 2,252 in 2024, a growth of 30% in just one year. This reflects the company's success in implementing a proactive recruitment strategy that focuses on attracting specialized talent and creating long-term employment opportunities.

Although the percentage of female employees slightly decreased from 39% in 2023 to 35% in 2024, the company still outperforms the national average for female participation in the insurance sector. This demonstrates its ongoing commitment to empowering women in the workplace and ensuring equal access to

career opportunities. In addition, Tawuniya actively supports the inclusion of employees with disabilities, aligning with Saudi Vision 2030 objectives to promote social integration and independence for all citizens.

These initiatives show that Tawuniya views human capital as a key driver of sustainable growth. By promoting inclusive employment, gender equality, and capacity development, the company contributes directly to SDG 8 (Decent Work and Economic Growth) and SDG 5 (Gender Equality) and SDG 10 (Reduced Inequalities). This reflects Tawuniya's commitment to creating an inclusive work environment that supports social equity and equal opportunities for all employees. Its policies strengthen productivity, enhance workforce diversity, and build a corporate culture rooted in equity and empowerment all of which are essential pillars of sustainable development in Saudi Arabia.

4. CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY (SDG 13)

Tawuniya Insurance Company actively supports environmental sustainability by adopting eco-friendly practices to reduce waste, energy use, and carbon emissions. The company participates in national initiatives such as Saudi Green and Riyadh Green through tree-planting efforts and the use of smart building systems that improve energy and water efficiency. It also promotes digital transformation to minimize paper and plastic consumption. These actions demonstrate Tawuniya's commitment to SDG 13 (Climate Action) and SDG 12 (Responsible Consumption and Production), reinforcing its role in building a greener and more sustainable economy.

5. BUILDING STRATEGIC PARTNERSHIPS FOR SUSTAINABILITY (SDG 17: PARTNERSHIPS FOR THE GOALS)

Tawuniya Insurance company actively builds strategic partnerships with government institutions, non-profit organizations, and the private sector to advance its sustainability objectives. These partnerships include:

- Collaborating with the Ministry of Health to develop advanced and inclusive health insurance programs;
- Partnering with research centers to create innovative insurance solutions based on artificial intelligence and big data analytics;
- Strengthening cooperation with FinTech startups to enhance operational efficiency and transparency;
- Working with hospitals and automotive repair centers to improve service quality and customer experience.

Through these initiatives, Tawuniya demonstrates its commitment to SDG 17 (Partnerships for the Goals) by fostering cross-sector collaboration to build a more efficient, innovative, and sustainable insurance ecosystem.

SECTION 03: DEVELOPMENT OF THE TAKAFUL INSURANCE SECTOR IN ALGERIA AND ITS CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Following the analysis of Saudi Arabia's pioneering experience through Tawuniya Insurance Company, this section examines the emergence and evolution of Takaful insurance in Algeria, a country where Islamic finance has begun to take root more recently.

Although the concept of Takaful was officially recognized only in 2019, Algeria has made notable progress in establishing a legal and institutional framework that enables the practice of Sharia-compliant insurance. This section explores the development of the Algerian Takaful sector, its main companies, their contribution to sustainable development, and the key challenges that continue to shape its growth.

The Algerian Insurance Law does not provide a direct definition of Takaful insurance, yet the legislator officially recognized this system through Law No. 19-14 of December 11, 2019, particularly under Article 103, which authorizes insurance companies to operate in accordance with the principles of Islamic Sharia.

Takaful insurance is based on the concept of mutual contribution, where participants pay donations into a Takaful fund used to provide financial support to members who face unexpected losses. This model promotes solidarity, cooperation, and shared responsibility among participants, reflecting the ethical and social foundations of Islamic finance.

To operationalize this framework, the government issued Executive Decree No. 21-81 of February 23, 2021, which defined the specific conditions and procedures for conducting Takaful insurance activities in Algeria. This decree paved the way for the establishment of specialized companies offering Sharia-compliant insurance services.

According to Articles 2 and 5 of the decree, Takaful insurance in Algeria is practiced under two main categories: (journal officiel, N°14, 2021)

- **Family Takaful:** covering personal insurance products such as accident insurance, health insurance, assistance services, life and death insurance, and social insurance.
- **General Takaful:** covering property and liability insurance products, including motor insurance, civil liability, fire and explosion, agricultural insurance, transport insurance, credit insurance, and re-Takaful.

This regulatory framework marks an important milestone in the development of Islamic insurance in Algeria, opening the door for new companies to operate under Sharia principles. It represents a crucial step toward building a more diversified and inclusive insurance sector that can contribute to sustainable economic growth in the Algerian market.

I. THE ROLE OF TAKAFUL INSURANCE COMPANIES IN ACHIEVING SUSTAINABLE DEVELOPMENT IN ALGERIA

Takaful insurance serves as an effective financial instrument that contributes to sustainable development by providing Sharia-compliant insurance solutions that enhance economic, social, and environmental stability. Through its ethical and cooperative foundations, Takaful promotes financial inclusion, social solidarity, and risk-sharing principles that align with the objectives of sustainable development.

In previous years, before the issuance of the Executive Decree of 2021, there was only one company operating in Algeria that could be considered a Takaful-oriented insurer “Salama Assurances”. However, following the enactment of the 2021 decree, the Algerian Takaful sector began to expand, leading to the establishment of two main companies in 2022:

- Djazair Takaful, which offers general Takaful insurance services;
- El Djazair El Moutahida, specializing in family Takaful insurance.

These developments represent the first practical steps toward institutionalizing Islamic insurance in Algeria, supporting the national agenda for economic diversification, social protection, and sustainable financial inclusion in line with the principles of Islamic finance and the Sustainable Development Goals (SDGs).

1. DJAZAIR TAKAFUL - GENERAL TAKAFUL INSURANCE COMPANY

1.1. COMPANY OVERVIEW

Djazair Takaful was established on May 30, 2022, as the first public Algerian company to offer general Takaful insurance products. The company was launched with a capital of DZD 2 billion and operates under the supervision of a Sharia Supervisory Board to ensure full compliance with Islamic principles. (https://eldjazair-takaful.dz/ , accessed in 25 september 2025)

1.2. THE INSURANCE SERVICES OF DJAZAIR TAKAFUL AND THEIR ROLE IN PROMOTING SUSTAINABLE DEVELOPMENT

a. SUPPORTING INDUSTRIAL DEVELOPMENT THROUGH INDUSTRIAL AND PROPERTY INSURANCE

Djazair Takaful offers specialized insurance products designed to protect industrial projects and assets, including engineering insurance, fire insurance, and property coverage. These products help mitigate financial risks faced by factories and industrial enterprises. For instance, they compensate for losses caused by accidents such as fires or equipment failures, thereby ensuring business continuity and industrial sustainability.

By reducing the financial burden of unexpected events, these services minimize the need for external borrowing and contribute to economic stability and industrial growth, aligning with SDG 9 (Industry, innovation, and infrastructure) and SDG 8 (Decent work and economic Growth).

b. SUPPORTING AGRICULTURAL DEVELOPMENT THROUGH AGRICULTURAL TAKAFUL

The company also provides agricultural insurance that covers crops and livestock against natural risks such as droughts, floods, and storms. This line of insurance supports agricultural sustainability by ensuring production continuity and reducing the financial stress on farmers during climate-related disasters.

By helping farmers recover from losses and maintain productivity, Djazair Takaful contributes to SDG 2 (Zero Hunger) and SDG 13 (Climate Action) through its role in food security, rural resilience, and the long-term sustainability of the agricultural sector.

2. EL DJAZAIR EL-MOUTAHIDA - FAMILY TAKAFUL INSURANCE COMPANY

2.1. COMPANY OVERVIEW

El Djazair El-Moutahida Takaful Insurance Company was established on July 25, 2022, as a specialized family Takaful provider, making it the first public Algerian company fully dedicated to offering Sharia-compliant insurance solutions for individuals and families. The company operates with a capital of DZD 1 billion, focusing on ethical and inclusive protection for households.

2.2. THE INSURANCE SERVICES OF EL DJAZAIR EL-MOUTAHIDA AND THEIR ROLE IN PROMOTING SUSTAINABLE DEVELOPMENT

El Djazair El-Moutahida offers a range of family Takaful products that address health, social security, and financial protection needs. These products aim to strengthen social resilience, financial inclusion, and household stability, aligning with the objectives of sustainable development: (https://elmoutahida-takaful.dz/ , accessed in 25 september 2025)

a. **"Al-Waky" Product:** provides medical and hospitalization coverage, including medication, disability, and accidental death benefits. This product enhances access to healthcare and reduces the financial burden of medical expenses, thereby improving quality of life and contributing to SDG 3 (Good health and well-being) and SDG 1 (No Poverty).

b. **"Al-Rafik" Product:** designed to protect clients from loan-related risks, this plan guarantees loan repayment in the event of disability or death. By preventing over-indebtedness and financial collapse, it promotes financial stability and contributes to SDG 8 (Decent work and economic growth) and SDG 10 (Reduced inequalities).
c. **"Al-Taazur" Product:** offers immediate financial support to the families of deceased policyholders, reducing the economic shock of losing a primary breadwinner. This product preserves social balance and family resilience, contributing to SDG 1 (No Poverty) and SDG 5 (Gender equality).
d. **"Al-Safar" Product:** provides comprehensive travel insurance coverage for clients traveling abroad, offering multiple protection levels based on destination and travel purpose. This ensures financial security and peace of mind during international mobility, supporting SDG 3 (Good health and well-being).

The products offered by Djazair Takaful and El Djazair El-Moutahida demonstrate that Takaful insurance is more than just a financial protection tool it is a driver of sustainable development in its economic, social, and environmental dimensions.

By ensuring financial protection, promoting investment, and encouraging ethical business practices, these companies contribute to a more resilient and equitable economy in Algeria, in full alignment with the principles of Islamic finance and the United Nations Sustainable Development Goals (SDGs).

Furthermore, Salama Insurance Company, one of the key players in the Algerian market, offers diverse insurance solutions such as health, vehicle, and property insurance. While not yet fully transformed into a Takaful model, Salama has begun adopting a Sharia-aligned approach through strategic partnerships aimed at developing products that meet the evolving needs of various client segments.

3. "HIRFATI" PRODUCT - A MODEL FOR INCLUSIVE TAKAFUL

As part of its efforts to promote financial inclusion and support vulnerable groups, Salama Insurance Company signed a partnership agreement with Al Salam Bank Algeria to launch the "Hirfati" (My craft) insurance product.

This initiative targets small artisans, microenterprises, and women engaged in home-based economic activities, providing them with Sharia-compliant protection and financial security. (https://www.alsalamalgeria.com/ar/newslist/detail-35-274.html , accessed in 05 October 2025)

❖ THE IMPORTANCE OF THE "HIRFATI" PRODUCT IN ACHIEVING SUSTAINABLE DEVELOPMENT

This initiative reflects a forward-looking vision for expanding Islamic insurance in Algeria and is expected to contribute to several Sustainable Development Goals (SDGs), particularly in the following areas:

- **Economic empowerment and financial inclusion (SDG 8: Decent work and economic growth):** the product provides insurance protection for artisans and small entrepreneurs against professional risks, helping them maintain financial stability and resilience. Moreover, by offering Sharia-compliant insurance solutions, it facilitates their access to financing and investment opportunities, enabling them to expand their businesses and contribute to local economic development.
- **Women's empowerment and gender equality (SDG 5: Gender equality):** by focusing on women engaged in home-based economic activities, "Hirfati" supports women's participation in the economy and enhances their financial independence. This contributes to narrowing the gender gap in access to financial and insurance services.

- **Promoting social sustainability and reducing inequalities (SDG 10: Reduced inequalities):** the initiative provides affordable and inclusive Takaful programs for low-income groups, offering them financial protection that aligns with their economic realities. This promotes social solidarity and helps reduce income disparities within Algerian society.

Although no official statistics are yet available to measure the market impact of this product, "Hirfati" represents a strategic step toward advancing inclusive and socially responsible Takaful insurance in Algeria. It demonstrates how Islamic finance can be harnessed to empower marginalized populations and strengthen financial inclusion. In the long term, this initiative is expected to contribute to the expansion of the Takaful sector in Algeria, particularly as demand grows for Sharia-compliant financial solutions and ethical risk-sharing mechanisms.

II. THE DEVELOPMENT AND CHALLENGES OF THE TAKAFUL INSURANCE SECTOR IN ALGERIA

1. THE DEVELOPMENT OF THE TAKAFUL INSURANCE SECTOR IN ALGERIA AND ITS ROLE IN ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS

Since its official launch in 2022, the Takaful insurance sector in Algeria has experienced remarkable growth, with a steady expansion in both companies and product offerings including motor, risk, and health insurance.

This development reflects the growing awareness of Takaful's social and economic importance, particularly in supporting financial inclusion, risk protection, and the empowerment of vulnerable groups. The following table presents the evolution of Takaful contributions (premiums) in Algeria between 2022 and 2024:

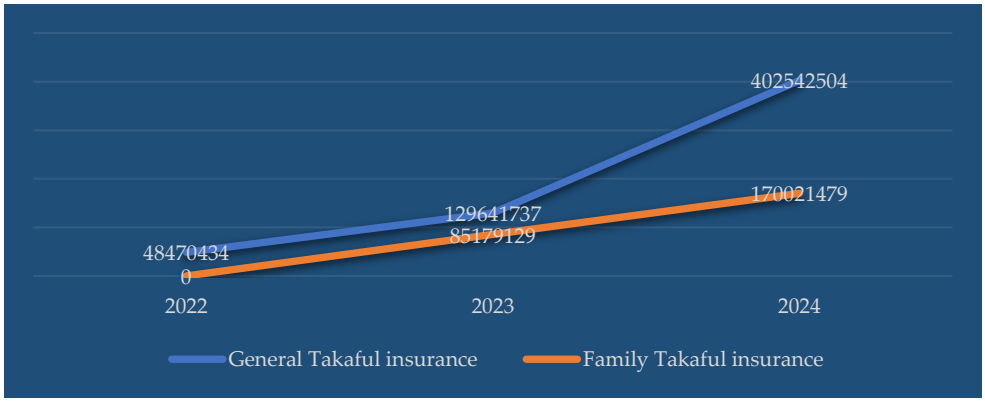
Table 05: Evolution of general and family Takaful contributions in Algeria (2022–2024)

Unit: Algerian Dinar (DZD)

	2022	2023	2024
General Takaful insurance	**48 470 434**	**129 641 737**	**402 542 504**
Auto insurance	37 254 662	98 163 618	207 392 860
Property and casualty insurance (IARD)	10 318 625	27 706 872	97 973 851
Agricultural insurance	0	0	1 335 523
Transport insurance	897 147	1 496 695	5 397 009
Credit insurance	0	2 274 552	90 443 261
Family Takaful insurance	**0**	**85 179 129**	**346 767 000**
Accident insurance	0	6500	14 814
Health insurance	0	0	0
Assistance insurance	0	20 346	488 000
Life and death Insurance	0	84 894 763	297 536 186
Collective provident insurance	0	257 521	48 728 000
Takaful insurance total	**48 470 434**	**214 820 866**	**749 309 504**

Source: Official website of the National Insurance Council (Conseil National des Assurances – CNA), available at https://cna.dz/ , accessed in 07 October 2025.

Figure 02: Evolution of general and family Takaful contributions in Algeria (2022–2024), in Algerian dinars (DZD)



Source: prepared by the author based on the data from the previous table

The data presented in the table show a significant upward trend in Takaful insurance contributions between 2022 and 2024, highlighting the rapid expansion of both general and family Takaful in Algeria.

Total contributions increased from DZD 48.47 million in 2022 to DZD 749.31 million in 2024, representing a fifteenfold growth within just two years. This remarkable rise demonstrates the growing confidence in Sharia-compliant financial products and the sector's increasing integration into Algeria's financial system.

In the general Takaful segment, auto insurance remains the dominant category, accounting for the largest share of contributions each year. This reflects the strong demand for vehicle protection and the growing awareness of ethical insurance solutions among consumers.

Meanwhile, property and casualty insurance (IARD) and credit insurance have recorded notable growth, showing the increasing involvement of businesses and entrepreneurs seeking risk coverage that aligns with Islamic principles. This expansion directly supports economic sustainability by reducing financial losses from accidents and operational risks, in line with SDG 8 (Decent work and economic growth) and SDG 9 (Industry, innovation, and infrastructure).

The family Takaful segment, which emerged in 2023, grew even more rapidly from DZD 85.18 million in 2023 to DZD 346.77 million in 2024. This surge indicates a rising awareness of social protection and long-term financial planning through life, death, and provident insurance. Such products strengthen social sustainability by providing financial security for families and ensuring continuity of income in times of hardship, thus contributing to SDG 1 (No poverty), SDG 3 (Good health and well-being), and SDG 10 (Reduced inequalities).

However, it is worth noting that health Takaful insurance remains absent from the Algerian market during this period. This gap reveals a significant untapped potential for developing medical and social protection products that could enhance public access to affordable healthcare. Expanding into this segment would directly support SDG 3 (Good health and well-being) and reinforce the role of Takaful as a tool for inclusive and sustainable social development.

Overall, this growth reflects not only a quantitative expansion of the Takaful market but also a qualitative transformation in the Algerian insurance landscape. By promoting financial inclusion, supporting ethical risk-sharing, and protecting low- and middle-income groups, Takaful insurance has become a key enabler of sustainable development in Algeria evolving Islamic finance ecosystem.

2. CHALLENGES FACING THE TAKAFUL INSURANCE SECTOR IN ALGERIA AND THEIR IMPACT ON SUSTAINABLE DEVELOPMENT

An analysis of the current state of Takaful insurance in Algeria, supported by recent data and regulatory developments, reveals several structural and operational challenges that continue to limit the sector's ability to contribute effectively to sustainable development. These challenges can be summarized as follows:

- **Regulatory ambiguities:** despite the issuance of Executive Decree No. 21-81 of 2021, certain aspects of the legal framework for Takaful remain unclear. This lack of regulatory precision affects investor confidence and creates uncertainty for operators and clients alike;
- **Limited incentives for foreign investment:** unlike leading Takaful markets such as Malaysia and Saudi Arabia, Algeria has not yet introduced fiscal or regulatory incentives to attract international investors or strategic partnerships in the Takaful sector;
- **Weak investment in sustainable projects:** Takaful companies in Algeria have not yet engaged significantly in financing or insuring environmental or socially responsible projects, which limits their contribution to sustainable and inclusive growth;
- **Low public awareness and understanding:** many individuals and businesses remain unaware of the principles and advantages of Takaful compared to conventional insurance. This limited awareness reduces participation and slows the sector's overall expansion;
- **Limited insurance culture:** Insurance in general both conventional and Takaful is still perceived by many Algerians as non-essential. This cultural barrier hampers the development of a strong and inclusive insurance market;
- **Need for awareness and education campaigns:** there is an urgent need for national outreach programs to explain the benefits of Takaful, its role in financial protection, and its potential contribution to sustainable development and social welfare;
- **Slow digital transformation:** many Takaful companies in Algeria still rely heavily on manual and paper-based processes, which slow down transactions and reduce operational efficiency;
- **Lack of digital platforms and automation:** the absence of advanced online platforms for policy management, claims processing, and electronic subscriptions prevents customers from enjoying fast and transparent services.
- **Limited adoption of financial technologies (FinTech):** technologies such as blockchain, artificial intelligence, and big data analytics are not yet used in the Takaful sector. Their integration could enhance transparency, efficiency, and trust among participants.
- **Insufficient focus on green and environmental insurance:** Takaful products addressing environmental risks or supporting green investments are almost non-existent, which reduces the sector's contribution to SDG 13 (climate action) and environmental sustainability.
- **Limited coverage for vulnerable groups:** current Takaful offerings do not adequately target small farmers, informal workers, or low-income households. This limits the sector's role in promoting social justice and inclusive growth, key dimensions of sustainable development.

These challenges highlight the need for stronger regulation, digital innovation, and inclusive product development to enable the Takaful sector to play a more effective role in Algeria's sustainable development agenda.

CONCLUSION

The analysis of Takaful insurance and its role in achieving sustainable development shows that this sector holds great potential for strengthening financial, social, and environmental stability. Through Sharia-compliant insurance solutions, it promotes financial inclusion, supports vulnerable groups, and enhances ethical investment.

Although Takaful insurance in Algeria is still at an early stage, the Saudi experience represented by Tawuniya Insurance company offers a successful model that can guide the development of the local sector and inspire future strategies for sustainable growth.

STUDY FINDINGS

- Takaful insurance supports economic sustainability by providing financial protection to individuals and businesses. This reduces investment risks, ensures business continuity, and enhances economic resilience. The Saudi experience, particularly that of Tawuniya Insurance Company, demonstrates how innovative products such as integrated health coverage and FinTech-based insurance can strengthen the economy and promote sustainable growth;
- It contributes to social development through programs that improve healthcare and social protection. The Tawuniya Vitality program in Saudi Arabia, for example, encourages healthier lifestyles through digital incentives, leading to reduced healthcare costs and improved quality of life. Family and social Takaful products such as life, disability, and risk insurance also ensure financial security for families and help maintain social stability;
- Digital transformation enhances the efficiency and impact of Takaful insurance. Smart insurance platforms and safe driving programs, as seen in Saudi Arabia, have improved operational performance, reduced costs, and provided better customer experiences. This highlights the importance of digital innovation for advancing the Takaful industry in Algeria;
- The Algerian Takaful market has shown significant growth since 2022, especially in motor and risk insurance products. This reflects rising awareness of ethical and inclusive insurance models that support both economic and social progress;
- Environmental and agricultural Takaful remain underdeveloped in Algeria, despite their potential to promote green growth and protect natural resources. Expanding these products could strengthen the sector's contribution to SDG 13 (Climate Action) and support sustainable economic diversification.

RECOMMENDATIONS

Based on these findings, several recommendations can be proposed to strengthen the role of Takaful insurance in achieving sustainable development, both in Algeria and internationally:

- Expand the range of Takaful products by developing health Takaful, and enhancing agricultural and environmental risk insurance in line with the priorities of sustainable development;
- Leverage financial technology (FinTech) and digital transformation to create smart insurance solutions that improve accessibility and operational efficiency. The Saudi experience, particularly that of Tawuniya Insurance Company, has shown how integrated digital platforms can enhance service quality and customer satisfaction;
- Strengthen the legal and regulatory framework by updating laws governing Takaful operations, improving corporate governance, and ensuring financial transparency to enhance client trust and attract long-term investment.

- Encourage Takaful investments in the green economy, such as financing renewable energy projects and offering insurance for environmental risks. This would expand the sector's contribution to SDG 13 (Climate Action) and sustainable economic growth;
- Introduce inclusive insurance programs targeting vulnerable groups such as informal workers and micro-entrepreneurs to ensure universal financial protection and reduce income inequality;
- Promote public and private partnerships by fostering collaboration between governments and Takaful operators to integrate Takaful products into national sustainability plans. The Saudi experience demonstrates how such partnerships can advance both financial inclusion and social sustainability;
- Launch awareness and education campaigns to promote Takaful literacy among individuals and businesses, highlighting its ethical, Sharia-compliant nature and its positive social impact compared to conventional insurance.

REFERENCES

REFERENCES (ENGLISH AND FRENCH SOURCES)

Books, Theses, and Academic Works

- Lezoul, M. (2023). ***Reformes Dans Le Domaine Des Assurances En Algérie : Le Modèle Takaful Comme Alternative à L'assurance Traditionnelle.*** Revue Algérienne de Finance Islamique, 1(2), pp. 70-87
- Abida, S. (2022). ***The role of the digital economy in supporting sustainable development: Algeria as a sample.*** Journal of Economic Sciences Institute, 25(2), pp. 357-375.
- Douas, L. (2022). ***L'adoption du TAKAFUL assurance en Algérie : Alternative islamique désirée***. Al Bashaer Economic Journal, 8(1), pp. 810-821.
- Puspita, D., Kolkiewicz, A., & Tan, K. S. (2020). ***Discrete time ruin probability for Takaful (Islamic insurance) with investment and qard-hasan (benevolent loan) activities***. Journal of Risk and Financial Management, 13(9), 211, pp. 1-24.
- Ali M.M., Hassan R. and Hasan S.M. (2014). ***An exploratory study of Shari'ah issues in the application of tabarru' for takaful***. Global Review of Islamic Economics and Business. 1(3), pp. 164–174.
- Hassan, M. K., Kayed, R. N., & Oseni, U. A. (2013). ***Introduction to Islamic Banking and Finance: Principles and Practices***. Pearson Education Limited.
- Alhumoudi, Y. A. (2012). ***Islamic Insurance (Takaful) and its Applications in Saudi Arabia*** [Doctoral dissertation, Brunel University].

ARABIC REFERENCES

- العلمي، ف. وآخرون. (2018)، ***التأمين التكافلي ودوره في تحقيق التنمية المستدامة - دراسة عينة من دول مجلس التعاون الخليجي***، الملتقى الدولي الخامس للمالية الإسلامية الموسوم: المالية الإسلامية والتمكين الاقتصادي، تونس، 07–08 أفريل 2018.
- القره داغي، ع. م. (2010)، ***مفهوم التأمين التعاوني: ماهيته وضوابطه ومعوقاته – دراسة فقهية اقتصادية***، بحث مقدم في مؤتمر التأمين التعاوني: أبعاده وافاقه وموقف الشريعة الإسلامية منه، عمان، الأردن، 11-12 أفريل.
- البرواري، ش. م. (2010)، ***الفائض التأميني في شركات التكافل وعلاقة صندوق التكافل بالإدارة***، ورقة مقدمة لمؤتمر الهيئات الشرعية لهيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية، المنامة، البحرين، 25–27 مايو.

OFFICIAL DOCUMENTS, REPORTS, AND ONLINE SOURCES

- London Stock Exchange Group, & Islamic Corporation for the Development of the Private Sector. (2025). LSEG Islamic Finance Development Report 2025, Online : https://www.lseg.com/content/dam/data-analytics/en_us/documents/reports/lseg-islamic-finance-development-indicator-2025.pdf , accessed in 10 September 2025.
- Argaam. (2025, February 27). Tawuniya 2024 profit leaps 66% to SAR 1.02B; Q4 at SAR 168M, Online: https://www.argaam.com/sa-en/financial-reports/company-report/33/2024/1 (accessed in 10 September 2025).

- The Company for Cooperative Insurance (Tawuniya). (2024). Annual report 2024, Online: https://www.linkedin.com/posts/tawuniya_annual-report-2024-activity-7314649662991310848-J8Y2 (accessed in 12 September 2025).
- Ministère de finances. (2021). Décret exécutif n° 21-81 du 23 février 2021 fixant les conditions et modalités d'exercice de l'assurance Takaful. Journal officiel de la République algérienne démocratique et populaire, (14), 7–9. Online : https://www.mf.gov.dz/images/pdf/Takaful.pdf
- Official website of Djazair Takaful, https://eldjazair-takaful.dz/ , (accessed in 25 September 2025).
- Official website of El Djazair El-Moutahida Takaful, https://elmoutahida-takaful.dz/ ,(accessed in 25 September 2025).
- Official website of Al Salam Bank Algeria, https://www.alsalamalgeria.com/ar/newslist/detail-35-274.html, (accessed in 05 October 2025).
- Official website of the National Insurance Council (Conseil National des Assurances – CNA), https://cna.dz/ (accessed in 07 October 2025).
- AAOIFI. (2006), ***Shariah Standard No. 26: Islamic Insurance (Takaful)***, Accounting and Auditing Organization for Islamic Financial Institutions, https://aaoifi.com/shariah-standards-3/?lang=en
- World Commission on Environment and Development (WCED). (1987). Our Common Future. United Nations, https://www.are.admin.ch/en/1987-brundtland-report