The reality of solidarity insurance in Algeria "A case study of the General Solidarity Company - Algeria Takaful –

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Abstract:

understand the reality of the solidarity insurance industry in Algeria as aalternative to commercial insurance that operates in accordance with the principles of Islamic Sharia. We have concluded in this study that Solidarity insurance in Algeria has been adapted through Presidential Decree No. 81/21 related to determining the terms and conditions of the conditions for practicing Solidarity insurance, which gave the start to the establishment of two public companies and two insurance companies. The study was limited to the General Solidarity Company "Jazzier Takaful", which was the first to launch it through a group of shareholders in its capital represented by public banks and insurance companies, and it has also covered the ground. The National Company, through the establishment of a group of agencies, is considered a positive step. The General Solidarity Company also provides a group of insurance products for individuals, such as car insurance, transportation insurance, agricultural insurance, etc. It is waiting for expansion and other products, and this is what it seeks.

Keywords: Solidarity insurance; Presidential Decree No. 81/21; General Solidarity Company "Jazzier Takaful"

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Introduction

In daily life, individuals face various risks that can result in financial or material losses. To avoid such losses, it is necessary to seek methods and ways to protect property and funds. This is where the concept of insurance originated, which has become an essential part of various economic and social activities. Insurance is indispensable for both institutions and individuals. However, traditional insurance is associated with uncertainty (gharar) and interest (riba), and it profits at the expense of the insured who suffer losses. Therefore, Islamic jurisprudence has deemed traditional insurance prohibited and proposed an alternative that aligns with Islamic law: solidarity (cooperative insurance). In recent years, solidarity has rapidly spread across different countries and regions worldwide as the legitimate alternative to conventional insurance. Like other countries, Algeria needed to embrace this new financial industry to expand the mobilization of individual savings and achieve financial inclusion, which contributes to driving economic growth and enhancing development opportunities.

Based on the above, and following the issuance of Executive Decree 81/21 dated February 23, 2021, which defines the conditions and methods for practicing solidarity insurance in Algeria, this study aims to explore the reality and prospects of solidarity insurance in Algeria in light of the government's adoption of Islamic finance in general and solidarity insurance in particular. The problem statement of this study is formulated as follows:

What is the Reality of the Takaful Insurance Industry in Algeria under Law 81/21?

To answer the main question, the following sub-questions can be posed:

1. What is meant by solidarity insurance, and what are its key characteristics and underlying principles?
2. What is the state of solidarity insurance in Algeria under Law 81/21?

1.1. Hypotheses: To answer the study's main question, we formulated two fundamental hypotheses:

- Solidarity insurance is considered the legitimate alternative to commercial insurance, based on the principles of donation, cooperation, and mutual support among the participants in the fund.
- Solidarity insurance in Algeria has experienced a qualitative leap with the issuance of Law 81/21, which defines the conditions and methods for practicing solidarity insurance, thereby presenting a new image for solidarity insurance.

2.1. Importance of the Study: The importance of this study lies in addressing a new topic for the Algerian economy: solidarity insurance as the legitimate alternative to commercial insurance. Additionally, it aims to understand the reality of the solidarity insurance industry in Algeria as outlined in Executive Decree 81/21, which shaped and presented a new image for the solidarity insurance industry by establishing solidarity institutions or opening solidarity insurance windows in commercial insurance companies.

3.1. Objectives of the Study: This study aims to achieve several objectives, summarized as follows:

- To understand the concept of solidarity insurance and its key characteristics and principles.
- To discuss the main challenges facing solidarity insurance companies in Algeria.
- To highlight the reality of solidarity insurance in Algeria through a case study of the General Takaful Company.

4.1. Study Methodology: To study this topic, we relied on the descriptive method to describe the subject of solidarity insurance, its characteristics, and principles, and the analytical method by studying the case of the General Takaful Company "Algeria Takaful" and analyzing the key figures and indicators of solidarity insurance in Algeria.

5.1. Study Divisions: In this research, we divided our study into three main sections:

- Section One: Theoretical Framework of solidarity Insurance
- Section Two: Case Study of the General solidarity Company.
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2.Theoretical Framework of solidarity Insurance:

Solidarity insurance is a system based on the cooperation of a group of individuals to establish a cooperative fund, known as the participants' fund, with the purpose of compensating for any harm that may befall them. Each individual commits to contributing a share of money to the fund, which is based on the principle of donation. This can be managed by an insurance company that handles the administration and management in return for a fee, in addition to investing on behalf of these individuals through a profit-sharing arrangement. (Jaafar, 2006, p. 88)

2.1. Definition of solidarity Insurance:

There are various definitions of solidarity insurance, and some of the most important ones are as follows:

- **Solidarity Insurance System:** It is a system where a group of individuals participate in creating a fund called the participants' fund with the aim of compensating the participants for any damages that may befall them (Badia, 2011, p. 240).
- **Solidarity Insurance System:** It is a mutual agreement between the insurance company, which is responsible for managing the participants' fund, and the clients and/or individuals wishing to insure their properties (whether natural or legal persons). Each participant commits to donating a sum of money as a form of donation, with the returns benefiting the insurance pool, and they receive a compensatory amount in case of an incident according to the insurance policy and the company's regulations.

Based on the above definitions, we can conclude a comprehensive definition of the solidarity insurance system as follows:

It is an agreement between a group of individuals to establish a cooperative fund based on donations, where each person contributes a specific amount to protect their properties against various risks and accidents. The participants appoint a company to manage and administer the fund and insurance operations for a fee. Additionally, the surplus funds are invested on a profit-sharing basis according to Islamic law.

2.2. Characteristics of solidarity Insurance:

Solidarity insurance has several characteristics that distinguish it from commercial insurance. These include (Abdul Hamid Ali, 2014, pp. 98-101):

- It is a system based on the commitment to donate, cooperate, and provide mutual support among a group of individuals to protect their properties from potential risks.
- Solidarity insurance is a non-compensatory system, meaning the contributions made by individuals are donations without any expectation of return, aimed at mutual benevolence and cooperation.
- The system involves a company managing the participants' fund for a fee called the agency fee, in accordance with the principles of Islamic law.
- The participants in the fund have the dual role of being both the insured and the insurer.
- The surplus funds are invested in various projects that comply with the principles of Islamic law.
- The surplus, which is the difference between contributions and expenses and compensations, is distributed among the participants according to Islamic regulations and mechanisms.

2.3. Principles of Solidarity Insurance Contract:

The fundamental principles upon which a solidarity insurance contract is based are as follows (Moulai, 2011, p. 04):

A. **Commitment to Donation:** There is an obligatory nature for the participant to pay an amount of money as a donation, which allows for the creation of the participants' fund.

B. **Cooperation:** Solidarity insurance is based on the principle of cooperation among a group of individuals through mutual support. If one of the participants faces a risk, all participants collectively support them. The concept of cooperation and solidarity is based on two main dimensions:

- The insurance company manages the participants' fund.
- Coverage of risks and payment of compensation amounts.

C. **Avoidance of Forbidden Investments:** Solidarity insurance companies invest the surplus funds in ways that are free from interest,

forbidden (haram) activities, and doubtful matters, in accordance with the principles and rulings of Islamic law.

D. **Avoidance of Speculation:** In solidarity insurance, the participant holds the dual role of both the insured and the insurer. What they pay as insured remains their property if no loss or compensation occurs. If they receive compensation due to facing risks, it is considered a donation, reinforcing the spirit of cooperation and mutual support.

E. **Avoidance of Uncertainty and Risk:** The solidarity insurance system embodies the spirit of solidarity and cooperation, avoiding the uncertainty and risk that participants in commercial insurance companies face, as the participant is unaware of the amount of compensation they will receive if an incident occurs, which subjects them to uncertainty and risk.

2.4. Differences between Solidarity Insurance and Commercial Insurance:

There are multiple fundamental differences between the two systems, and the most important points can be summarized as follows:

A. **Ultimate Reference:** All activities undertaken by Solidarity insurance companies, including compensation, investment, rules for calculating and distributing the surplus, etc., are based on the principles and rulings of Islamic law. To ensure this, Islamic financial institutions have established a team called the "Sharia Supervisory Board" within their organizational structure, composed of Islamic jurisprudence scholars specializing in financial transactions. This team's role is to guide, regulate, and monitor the operations and activities of these institutions to ensure compliance with Sharia rulings. In contrast, the ultimate reference for commercial (traditional) insurance companies is based on conventional customs and statutory laws, aligned with the philosophy of the capitalist economy, which aims to maximize profits.

B. **Legal Relationships:** The commercial insurance contract is based on a compensation basis with the aim of making profits. The insured pays insurance premiums in exchange for receiving compensation for risks they face, without having any authority over those premiums, as they become part of the insurance company's financial assets. In contrast, the solidarity

insurance contract is based on the principle of donation among a group of individuals to form a common fund to protect their properties from potential risks. It does not aim to make a profit but is based on cooperation and mutual support.

C. **Surplus and Profit:** In the solidarity insurance system, the difference between premiums and compensations is called the surplus, which can be invested for the benefit of the participants. In commercial insurance, this is termed as insurance profit, which belongs to the managing insurance company.

D. **Investment of Insurance Funds:** Investments in solidarity insurance are made in various ways that comply with Islamic law principles and rulings, where the insured becomes a partner in the investment profits. In commercial insurance, investments are made in financial markets or through methods that involve interest—an impermissible (haram) practice—where the investment returns belong to the insurance company.

E. **Insurance Coverage Principles:** The primary goal of commercial insurance companies is to maximize profits without considering any customary, moral, or Sharia considerations. In contrast, insurance coverage in the solidarity system is subject to Islamic Sharia considerations.

F. **Sharia Ruling:** Solidarity insurance is permissible (halal) according to the consensus of scholars, while commercial insurance is prohibited (haram) as all jurisprudential groups have agreed on its prohibition.

Based on the above, the most significant fundamental differences between the Takaful insurance system and the commercial insurance system can be summarized in the following table:

Table .01: Comparison Between Takaful Insurance System **and Commercial** Insurance System

Comparison Basis	**solidarity Insurance**	**Commercial Insurance**
Ultimate Reference	Derived from the principles of Islamic Shariah	Derived from regulations, laws, and customs
Legal Relationships	A contract based on donation, cooperation, and	A compensation contract aimed at

and Purpose	mutual support; not profit-oriented	maximizing profits
Surplus and Profit	The surplus is the difference between contributions and compensations; belongs to participants	Profit is derived from the insurance process; belongs to the company
Usurious Interest	No usurious interest due to the absence of a compensation contract	Usurious interest exists due to compensation contracts and late fees
Sharia Violations	Operates according to the principles of Islamic Sharia	Contains uncertainty (gharar), ignorance (jahala), and speculation (mukhatarah)
Sharia Ruling	Halal by consensus of juristic bodies	Haram by consensus of all juristic bodies
Sharia Supervisory Board	Requires the presence of a Sharia Supervisory Board to monitor and oversee the company's performance	No such board exists
Investment of Funds	Surplus is invested according to Sharia principles and non-forbidden projects	Profit is invested in interest-based forbidden investments

Source: Nasser Abdul Hamid, previously cited reference, pp. 145-146.

2.5. Takaful Insurance in Algeria:

The solidarity insurance market in Algeria is based on both the legal and regulatory framework governing solidarity insurance and the supervisory and regulatory bodies, as well as the main players in the market, including companies and specialized windows.

a. Legal and Regulatory Framework for solidarity Insurance in Algeria:

The Executive Decree No. 81/21, dated February 23, 2021, defines the conditions and procedures for practicing Takaful insurance in Algeria. The decree comprises 27 articles divided into three sections and serves as a

continuation of Presidential Order No. 95-07, which was amended and supplemented by Law No. 06/04.

More than two years after the issuance of this decree, the Takaful insurance sector in Algeria has seen the establishment of two Takaful insurance companies: **Algérie Takaful Général** and **Al-Mutahid Takaful**. Additionally, specialized solidarity insurance windows have been opened within two commercial insurance companies: **GAM** and **CARDIF**.

b. Supervision and Regulation:

The Ministry of Finance oversees solidarity insurance companies, granting licenses, insurance contracts, and monitoring their activities.

c. Market Participants in solidarity Insurance:

The solidarity insurance market has experienced significant growth following the issuance of Decree 21/81, which opened the sector to public and private investment. Key participants in the solidarity insurance market include:

- **GAM's solidarity Window:** Began operations in April 2022.
- **CARDIF's Takaful Window:** Started operations in 2022.
- **Public Company Specializing in General solidarity Insurance, "Algérie Takaful Général":** Commenced operations in December 2022.
- **Public Independent Company Specializing in Family Solidarity Insurance, "Al-Mutahid Takaful":** Began operations in February 2023.
- **Solidarity Reinsurance Window at the Central Reinsurance Company (CCR):** Completion of procedures is underway.
- **Company As-Salama:** In the process of complying with the provisions of Executive Decree No. 21/81.

Table 02. estimative table showing solidarity insurance market participants 2022-2023

Institution	**Type of Institution**	**Start of Operations**	**Capital**
GAM	General Solidarity Window	April 2022	45 million DZD
CARDIF	Family Solidarity Window	April 2022	-

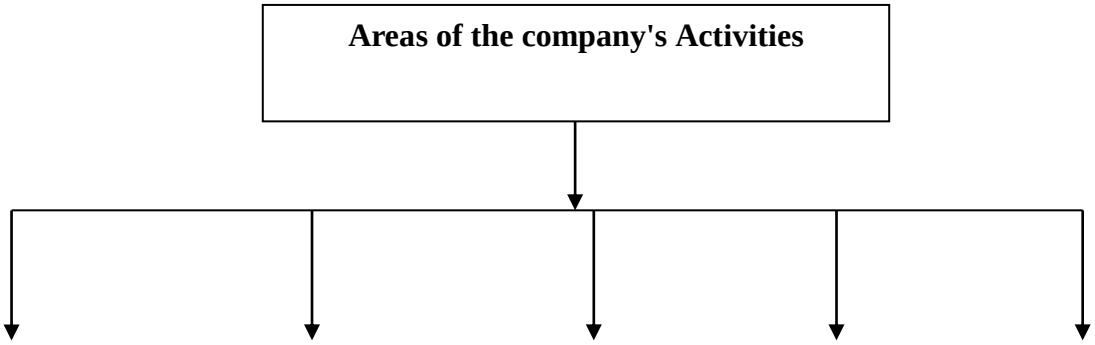
Algérie Takaful Général	Independent Company Specializing in General Solidarity	December 2022	63 million DZD
Al-Mutahid Takaful	Independent Company Specializing in Family Solidarity	February 2023	-

Source: Prepared by the researchers based on data from the Strategic Development Plan Report of **Case Study: Algérie Takaful Général**

Figure 01. the Areas of the Company's Activity.

3-1. Overview of Algeria solidarity General (Algerie Takaful):

Algérie Takaful Général is a public, independent joint-stock company specializing in general solidarity insurance (damage insurance), with a capital of 2 billion DZD. It was established at the end of December 2021 and received its license from the Ministry of Finance in May 2022. The company's capital is contributed by all public damage insurance companies (CAAR, CAAT, SAA) and the six public banks (BADR, BDL, BEA, BNA, CNEP, CPA). (December 23, 2023.)



General Manager of the Solidarity Company, Algeria Takaful, Board of Directors meeting, December 28, 2023, p. 01.

a. Commercial Network of Algérie Takaful Général Before the End of 2023:

The company set an objective to establish 15 direct and general agencies by the end of 2023. The following table outlines the commercial network status:

Table 03: Commercial Network of Algérie Takaful Général Before 2023

Agencies	Target by End of 2023	Active Agencies as of 30/09/2023	Expected Active Agencies by End of 2023	Gap/ Target
Direct Agencies	10	5	7	-3
General Agents	5	2	3	-2
Total	15	7	10	-5

Source: Prepared by the researchers based on data obtained from the Director of Algérie Takaful Général, Board Meeting, December 28, 2023, p. 01.

Table 3 shows the company's commercial network planning to establish 15 agencies by the end of 2023, including 10 direct agencies and 5 general agents. As of September 30, 2023, 10 agencies were active, indicating a shortfall of 5 agencies from the target.

b. Financial Contributions and Projections:

According to the 2023 report of Algérie Takaful Général:

- **Expected Contributions Collected:** 78 million DZD (85% of the target).
- **Projected Contributions (Agency Committees):** 26 million DZD (84% of the target).
- **b. Algérie Takaful Général's Commercial Network by Wilaya Before the End of 2023:**
- **Table 04: Key Commercial Agencies Nationwide Until December 2023**

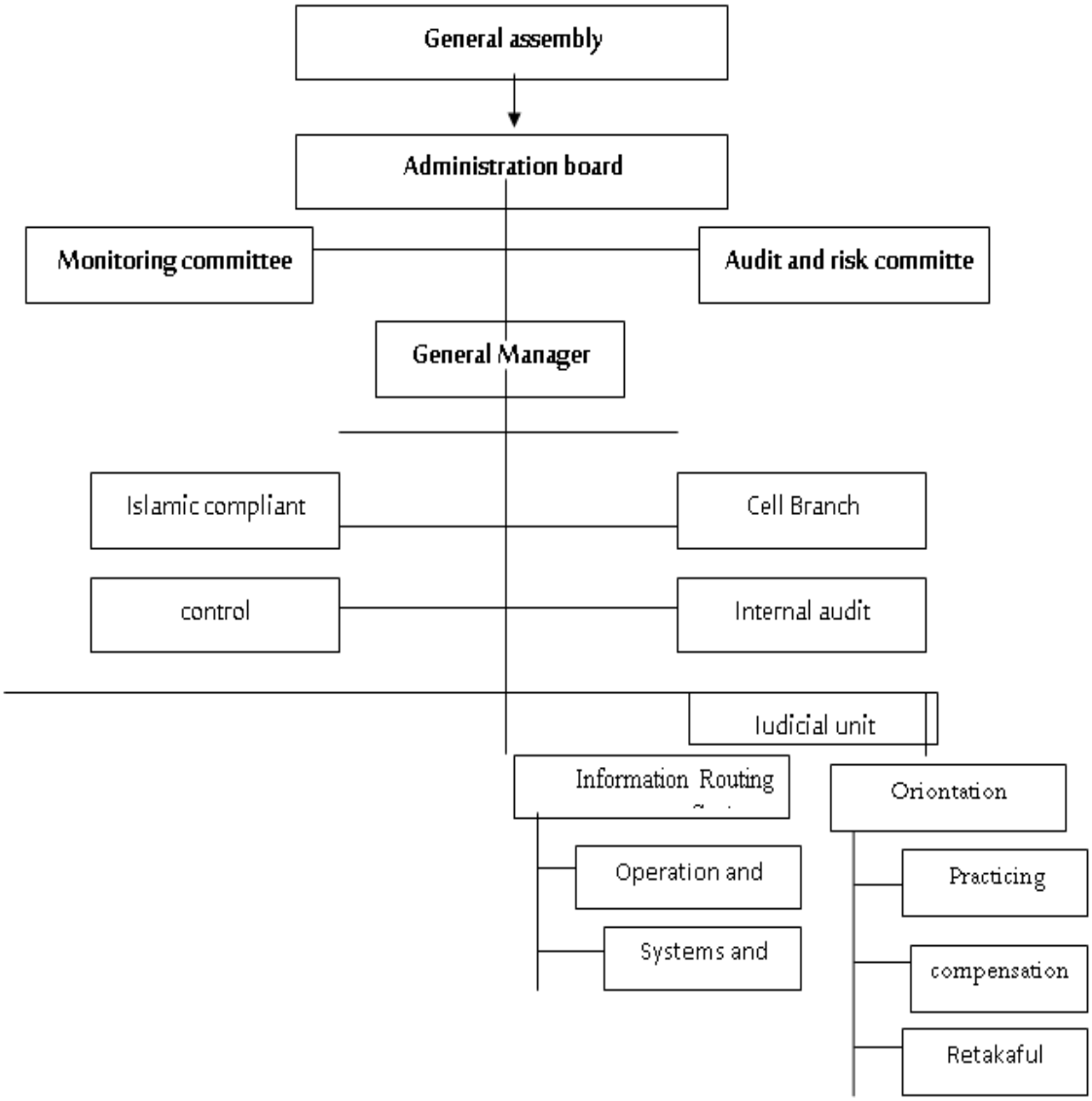
Number	**Agencies in Service**	**Number**	**Agencies Under Construction**
01	Algiers West: Zeralda (DA)	01	Blida (AD)
02	Algiers East: El Madania (DA)	02	Oum El Bouaghi (AGA)
03	Bejaia (Aqbu) (AGA)	03	Sidi Bel Abbès (AGA)
04	Setif (El Eulma) (AD)	04	Biskra (AD)
05	Annaba (AGA)	05	Adrar (AGA)
06	Msila (AGA)	06	-
07	Médéa (AD)	07	-
08	Chlef (AD)	08	-
09	Oran (AD)	09	-
10	Tizi Ouzou (AD)	10	-
Total	**10**	**Total**	**05**

- **Source:** Prepared by the researchers based on data obtained from the Director of Algérie Takaful Général, Board Meeting Report, December 28, 2023, p. 02.

This table illustrates the major commercial agencies operating nationwide as of the end of 2023 and those under construction. There are currently 7 direct agencies and 3 general agencies in service. Additionally, there are 2 direct agencies and 3 general agencies under construction.

B- The company's organizational structure: The administrative and organizational structure of the company can be summarized as shown in figure 02.

Figure 02: The company's organizational structure: Before the company began its operations, an organizational structure was established to organize the work and distribution of tasks for each department.



Source: Prepared by the researchers based on data obtained from the strategic development plan report of General Solidarity Company 'Jazaer Takaful' 2023-2027.

C- Distribution of Shareholders' Capital: Algérie Takaful Général Company is a joint-stock company between insurance companies and

public banks, with each company's and bank's share in the company's capital distributed accordingly. The insurance companies' contribution amounts to 60%, equivalent to 1.2 billion DZD, while the banks' contribution is 40%, equivalent to 800 million Algerian Dinars.

Table 04. Distribution of shareholders' shares in the company's capital.

Shareholders	**Percentage %**	**Algerian Dinar (DZD)**
CAAT	15%	300,000,000
SAA	15%	300,000,000
CAAR	15%	300,000,000
CASIT	15%	300,000,000
Total contribution of insurance companies	**60%**	**1,200,000,000**
BADR (Bank of Agriculture and Rural Development)	6.66%	133,320,000
BDL (Local Development Bank)	6.66%	133,320,000
BEA (Algerian External Bank)	6.66%	133,320,000
BAN (Algerian National Bank)	6.66%	133,320,000
CNEP	6.66%	133,320,000
CPA (Algerian Popular Credit)	6.66%	133,320,000
Total contribution of banks	**40%**	**800,000,000**
Total	**100%**	**2,000,000,000**

Source: Prepared by the researchers based on data obtained from the director of Algérie Takaful Général Company,' Board of Directors meeting report on December 12, 2023, p.03.

4. Objectives of General solidarity Company 'Jazaer Takaful': The primary objectives of Jazaer Takaful are to achieve a set of economic and strategic goals, which can be summarized as follows (Takaful, 2023):

a. Economic Objectives: The main economic objectives include:

- Enhancing the financial industry in Algeria through solidarity insurance.
- Marketing insurance products against damages under the 'Jazaer Takaful' brand.

- Engaging in any commercial or service activities directly related to solidarity insurance operations.
- Diversifying investments in equities.

b. Strategic Objectives: Practicing solidarity insurance through the company aims to provide services to both natural and legal persons concerning Takaful insurance, specifically:

- Conducting all types of damage insurance operations by General Solidarity Company in Algeria according to Islamic Sharia principles and current laws.
- Expanding the insurance portfolio and the range of insurance product offerings in the national market.
- Providing opportunities and insurance support to banks linked to Islamic banking products, thereby continuing to promote this Islamic financial industry.
- Contributing to the expansion of Sharia-compliant financial instruments necessary to create a conducive ecosystem for promoting the Islamic financial industry in Algeria.
- Contributing to the implementation of the state's general policy by mobilizing individual savings and thus creating economic development through Islamic financing tools.

5. Commercial Activities of 'Jazaer Takaful' Company.

Table 05. Illustrates the technical commercial activities of contributions and achievements Unit: Algerian Dinar (DZD)

Specialty Types of Insurance	**Target 2023**	**As of 30/9/2023**	**Expected Target before the end of 2023**	**Achievement Percentage**
Car Insurance	57,038,000	2,105,746	51,244,930	90%
Property and Casualty Insurance	34,177,000	10,297,974	265,291,170	78%
Transport Insurance	658,000	249,000	906,650	138%
Agricultu	878,0	-	157,600	18%

ral Insurance	00			
Total	92,751,000	31,562,720	78,838,350	85%

Source: Prepared by the researchers based on data obtained from the director of General solidarity Company 'Jazaer Takaful,' Board of Directors meeting report on December 28, 2023, p.02.

This table illustrates the contributions and achievements made by 'Jazaer Takaful' Company for the year 2023, according to the different types of insurance activities it offers. We find that car insurance tops the list with the highest percentage of achievement at 90%, meaning there is 10% left to achieve the set target, which is a good and acceptable rate considering the company is at the beginning of its activities. It is followed by property and casualty insurance with an achievement rate of 78%. Transport insurance and agricultural insurance stand at 138% and 18% respectively. Overall, when looking at the total insurances, the set target, and the target achieved before the end of 2023, the total achievement and contributions rate reached 85%, which is a good percentage despite the difficulties and obstacles, and the fact that it is still a new financial industry that has not yet gained widespread acceptance and promotion.

Table 06. Illustrates the technical commercial activities of contributions made by the agency. Unit: Algerian Dinar (DZD)

Specialty/Type of Insurance	**Agency in 2023**	**Achievements as of 30/09/2023**	**Agency Expectations by the end of 2023**	**Gap**	**Percentage %**
Car Insurance	10,777,000	3,102,015	7,958,751	-2,027,275	10%
Property and Casualty Insurance	10,777,000	3,102,015	7,958,751	-2,818,249	26%
Transport Insurance	230,000	87,150	317,327.5	87,328	68%

Agricultural Insurance	307,000	-	55,160	251,840	-82%
Total	3,127,700	10,544,676	26,266,964	-5,010,036	-16%

Source: Prepared by the researchers based on data obtained from the director of General Solidarity Company 'Jazaer Takaful,' Board of Directors meeting report on December 28, 2023, p.02.

This table illustrates the technical commercial activities according to the agency's commissions for the year 2023 through the agency's target year, its achievements as of 30/09/2023, and the expectations set before the end of 2023. We found a significant gap in the different types of insurance.

1. For car insurance, there was a negative gap, meaning that the agency's expectations by the end of 2023 were lower than the target set (the agency's target for 2023). The percentage was negative at 16%.

2. Property and casualty insurance also showed a negative gap of 26%, and agricultural insurance had a significant negative percentage compared to the previous insurances, reaching -82%. The only exception was transport insurance, which had positive commissions with a percentage of 38%. Overall, the table shows that the total target set for 2023 by the agency was higher than what was expected by the end of 2023, with the percentage being less than 16%.

3.7. Expected Technical Commercial Activities for 2024:

1. For the commercial network: Optimal coverage at the national level, taking into account the economic and social capabilities.

Table No. 07: Illustrates the expected distribution of the commercial network for 2024 for General solidarity Company 'Jazaer Takaful.'

Agencies	**First Half**	**Second Half**	**Third Half**	**Fourth Half**	**Total**
Direct Agencies	2	4	3	1	10
General Agencies	1	3	1	-	5

Total Half-Yearly	3	7	4	1	15

Source: Prepared by the researchers based on data obtained from the director of General solidarity Company 'Jazaer Takaful,' Board of Directors meeting report on December 28, 2023, p.12.

Table 8 illustrates the expected distribution of the commercial network for 2024 for General solidarity Company 'Jazaer Takaful.' It shows that the company has planned and divided its efforts to open agencies over four half-year periods, including direct and general agencies. The expected number of agencies to be opened in 2024 is 15, with 10 direct agencies and 5 general agencies, aimed at covering and promoting this insurance service nationwide.

Table No. 08: Table showing the main commercial agencies expected to be opened nationwide in 2024.

Opening Date	**Location of Agency Opening**
First Half	Algiers Center
	Tlemcen
	Biskra, El Oued, Ouargla
Second Half	Constantine
	Batna, Oum El Bouaghi, Tebessa
	Tiaret, Mascara, Saida
	Djelfa, M'Sila, Laghouat, Ghardaia
Third Half	Biskra-Jijel
	Bechar, Saida, El Bayadh
	Mostaganem, Relizane

Source: Prepared by the researchers based on data obtained from the director of General solidarity Company 'Jazaer Takaful,' Board of Directors meeting report on December 28, 2023, p.12.

This table illustrates the key proposed commercial agencies expected to open during 2024, planned over three half-year periods nationwide. This aims to deliver solidarity insurance services across the country, thus achieving financial inclusion for all members of society and mobilizing various individual savings to create genuine development. It is essential for

the authorities to monitor and support this new financial industry, which represents Takaful insurance based on cooperation and mutual support in accordance with Islamic Sharia principles.

3.8. Prospective Outlook for General Solidarity Company's 'Jazaer Takaful' Contributions in the Insurance Sector from 2023 to 2027: General Solidarity Company continually seeks to adopt new policies to increase subscriptions from insurance institutions and banks and to raise capital. This requires adapting to the Takaful model and gradually penetrating the insurance market by developing products that meet the needs of policyholders, promoting, and securing financial funding to deliver these services to all members of society at the lowest possible cost and highest quality. The company focuses on adapting its products to market needs, with key products including:

- Car Insurance
- Agricultural Risk Insurance
- Fire Insurance
- Transport Insurance (Land and Marine)

Table 09. Table showing the diversified subscriptions for General solidarity Company 'Jazaer Takaful' for the period 2023-2027. Unit: Million Algerian Dinar (DZD)

Type of Insurance	**2023**	**2024**	**2025**	**2026**	**2027**
Car Insurance	57,038	220,805	397,443	520,038	702,052
Property and Casualty Risks	34,177	115,307	202,104	282,896	376,108
Agricultural Insurance	658	6,794	13,758	23,526	32,317
Transport Insurance	378	6,794	13,146	17,147	24,516
Total	92,751	349,700	626,451	844,207	1,134,993

Source: Prepared by the researchers based on data obtained from the company's strategic development plan for the period 2023-2027, p.57.

According to the annual report, contributions could exceed 90 million Dinar in the first year (2024) and reach approximately 1,135 million Dinar by the end of 2027, achieving a growth rate of 35%.

3.9. Key Foundations for Management and Investment by the Company:

1. **Agency Commission:** The commission rate set by General solidarity Company 'Jazaer Takaful' is 35% for managing and operating the company, as determined by the Board of Directors in the meeting held on December 28, 2023. This is for handling all branches of insurance activity, except for RC insurance, which has been reduced to 15%, and NAT.CAT insurance, which has been reduced to a minimum of 10%.
2. **Investment Policy and Participant Rewards:** The company has adopted the following for distributing and investing insurance surpluses:

- Expected investment returns are on a progressive scale from 2% to 4.5% over a 5-year period. The company used 2023 as a benchmark for the expected returns based on Islamic finance windows of participating banks in solidarity insurance.
- Participant premiums are invested based on a "Mudarabah" contract, sharing income or insurance surplus (50%/50%).
- The average capital contribution from participants is estimated to be 80% of the available funds for that period, starting from 2025. This is considered a good rate for the company and is an ambitious goal. It is reflected in the expansion of the commercial network by opening agencies nationwide, delivering services, and meeting the needs of participants in the company's fund.

Regarding the market portfolio, car insurance accounts for an average of 62% of contributions, while property and casualty insurance contributes 31% of the production, which diversifies the company's portfolio.

Conclusion:

Given that solidarity insurance is considered the Islamic compliant alternative to conventional insurance, based on the principle of donation and deriving its legitimacy from Islamic Sharia law, this study explored the current state of solidarity insurance in Algeria. It focused particularly on Law 81/21, which provided a real impetus for the establishment and foundation of various companies and windows. To understand this reality in

detail, General solidarity Company 'Jazaer Takaful' was chosen as a case study, as it represents one of the outcomes of Law 81/21, with its actual launch in December 2021. The company aims to expand gradually and quickly to become a major player in the Islamic financial industry in Algeria.

4-1 Study Results:

The study yielded several results, which can be summarized into theoretical and practical outcomes:

1. **Theoretical Results:**

- Takaful insurance is a contract based on the contribution of a group of individuals to form a pool of participants to cover various risks they may face, based on cooperation and mutual support.
- Solidarity insurance is the Islamic compliant alternative to conventional insurance, free from uncertainty (gharar), usury (riba), and ambiguity (jahala).
- The legitimacy of solidarity insurance is derived from Islamic Sharia principles.

2. **Practical Results:**

- Executive Decree 81/21, dated February 23, 2023, is the fundamental basis for solidarity insurance in Algeria, outlining the conditions and modalities for practicing solidarity insurance.
- General solidarity Company 'Jazaer Takaful' is the first company approved in Algeria in May 2021, with financial independence and state ownership.
- Two public companies were established (with accreditation): General solidarity Company 'Jazaer Takaful' and Family Solidarity Company 'United Takaful.'
- Solidarity insurance windows have been established in CARDIF and GAM commercial insurance institutions.
- General solidarity Company 'Jazaer Takaful' offers various insurance products, including car insurance, property insurance, transport insurance, and agricultural insurance.

- The company has developed a medium-term strategic plan for expansion through the opening of agencies across the country.
- The company contracts agencies with a fixed commission of 35% of the achieved profits, as determined by the Board of Directors in the meeting held on December 28, 2023, to manage and operate all branches of insurance activity.

4-2 Study Recommendations:

Based on this study, several recommendations are proposed to enhance the Islamic financial industry in Algeria:

- **Employee Training:** It is essential to focus on training employees and executives through programs related to managing Solidarity insurance companies and the fundamentals of the Islamic financial industry.
- **Promote solidarity Insurance:** Increase awareness of solidarity insurance within Algerian society to attract more participants and grow the capital of solidarity insurance companies.
- **Mobilize Savings:** Develop economic projects to enhance economic development by mobilizing individual savings.
- **Product Promotion:** Promote new financial products and expand their reach through advertisements, study days, seminars, and exhibitions.
- **Support and Collaboration:** Strengthen the support role of the Algerian government and its institutions and leverage expertise from leading countries in solidarity insurance.
- **Encourage Research:** Promote research and studies in the field of solidarity insurance to advance this sector.

4-3 Future Research Directions:

1. **Case Study on the State of solidarity Insurance in Algeria:** Examine the realities of solidarity insurance windows.
2. **Mechanisms for Surplus Distribution:** Investigate the methods for distributing and calculating insurance surpluses at General solidarity Company 'Jazaer Takaful.'
3. **Contribution to Financial Inclusion:** Study the extent of General Solidarity Company's contribution to enhancing financial inclusion.

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