

Takaful insurance in Algeria: opportunities and challenges

Moustafa Belguerbouz

Laboratory for the Green Economy, transformation strategy, University of Tiaret (Algeria),

mustafa.belguerbouz@univ-tiaret.dz

 ORCID: <https://orcid.org/0009-0003-2217-5792>

Ali Benguetib

Laboratory for the Green Economy, transformation strategy, University of Tiaret (Algeria),

benguetib.ali@univ-tiaret.dz

 ORCID: <https://orcid.org/0009-0001-3849-9287>

Received : 12.11.2025

Accepted: 23.11.2025

Published : 01.01.2026

Abstract: This study examines the concept of Takaful insurance, outlining its main features and types, reviewing its status in Algeria, and identifying the key institutions involved. It also discusses the major obstacles hindering its implementation under Islamic Sharia. The results show that Takaful insurance is grounded in Sharia principles, yet its presence in Algeria is minimal, with only one significant institution currently offering such services. Despite existing challenges, several factors could encourage the development of a Takaful insurance framework in the country. Moreover, increased collaboration between financial institutions and policymakers may help create a sustainable and inclusive system.

Keywords: Takaful Insurance in Algeria, Sharia Law, Financial institutions, Islamic Finance, Challenges and Prospects.

JEL Classification codes : G22. 016. 712

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Corresponding author: Moustafa Belguerbouz, mustafa.belguerbouz@univ-tiaret.dz

1. Introduction

Takaful insurance represents a modern method for compensating damages or losses resulting from risks. Its fundamental principle is based on cooperation and social solidarity among insured individuals. This type of insurance has gained acceptance among Muslim scholars and jurists because it is rooted in Islamic law. These scholars have worked together to create Takaful insurance, an Islamic insurance model that operates based on Islamic principles.

In Algeria, the insurance sector has struggled to meet its stated goals, leading to a greater emphasis on Takaful insurance, as it is based on financial instruments regulated by Islamic law. However, the government's role in promoting these instruments has been notably absent and has declined over time.

Problem: What are the challenges and prospects for Takaful insurance in Algeria?

Based on this problem, we pose the following questions:

- What is meant by Takaful insurance?
- What are the realities and challenges of Takaful insurance in Algeria?
- What are the prospects and requirements for the success of Takaful insurance in Algeria?

Hypotheses

- **Hypothesis 1:** Takaful insurance in Algeria faces challenges stemming from legal constraints and a limited public understanding of its principles.
- **Hypothesis 2:** Takaful insurance in Algeria is generally accepted by society, given its reliance on the provisions of the Quran and Sunnah regarding financial transactions.

Significance of the Research : The importance of this research lies in clarifying the role of Takaful insurance in the economy and facilitating transactions in general and in Algeria in particular.

Methodology : To answer the research problem, and given the nature of the study, we use the descriptive and analytical approach to arrive at conclusions that will answer the problem

2. Definition of Takaful Insurance

Takaful insurance is defined differently across various countries, with each legislator tailoring the definition to fit their respective legal systems and regulations. Below are the definitions of Takaful insurance in two specific countries:

2.1. Definition of Takaful Insurance in the United Arab Emirates

The UAE legislator defines Takaful insurance as "a collective contractual arrangement aimed at fostering cooperation among a group of participants in managing specific risks." Each participant contributes a designated amount, which leads to the creation of a participant account. Compensation is paid to the party affected by the realized risk." (Samira Hassiba, Bou Al-Shaira Sarah, 2022, p. 1025)

2.2. Definition of Takaful Insurance in Sudan

The Sudanese legislator defines Takaful insurance as "a contract in which the insurer, on behalf of the insured, agrees to pay the insured or designated beneficiary a certain sum of money, or other compensation, in the event of an insured event or the occurrence of the specified risk. This is in exchange for a predetermined amount paid by the insured to the insurer as a donation, supporting the insurer's obligations." (Makhlouf Mohamed, 2022/2023, p. 04)

2.3. Definition of Takaful Insurance in Algeria

The Algerian legislator defined Takaful insurance through Executive Decree No. 21-81, dated Rajab 11, 1442 AH (February 23, 2021), which amended Law No. 04-06. Takaful insurance is described as an insurance system based on a contractual method involving natural or legal persons known as “participants.” These participants pledge to support one another in the event of risks or at the end of the Takaful insurance contract term. They contribute funds in the form of a donation known as a “contribution.” These contributions create a fund referred to as the “Participants’ Fund” or “Participants’ Account.” All operations and actions related to Takaful insurance must adhere to the principles of Islamic Sharia. (Article 3 of Order No. 21-81, 2021)

Despite variations in definitions across different countries and legal systems, the essence of Takaful insurance remains consistent. This fact is reflected in the definition provided by the Accounting and Auditing Organization for Islamic Financial Institutions in Standard 26, which states, “Takaful is an agreement among individuals exposed to certain risks, aimed at mitigating damages arising from these risks through contributions made as a commitment to donate. The arrangement generates an insurance fund with legal personality and independent financial status, from which compensation is paid for damages incurred by a participant as a result of insured risks. The fund is managed according to established regulations and documentation. The fund can be managed either by a body selected from the policyholders or by a joint-stock company, which charges a fee for managing the insurance business and investing the fund’s assets.” (Samira Hassiba, Bou Al-Shaira Sarah, 2022, p. 1020).

Based on the above, Takaful insurance is considered a system based on the concept of cooperation and solidarity among members of society and is founded on the principles of Islamic Sharia, whereby natural and legal individuals participate in bearing certain risks.

3. Objectives and Importance of Takaful Insurance:

The Takaful insurance system, like other systems, was established to achieve specific goals, and it has demonstrated significant importance in its field.

3.1. Objectives of Takaful Insurance

Takaful insurance aims to achieve a set of objectives, including the following:

- Providing an Islamic alternative to commercial insurance that complies with Sharia and its principles.
- Achieving solidarity among all policyholders.
- Reducing insurance premiums to the lowest possible level.
- Providing security and reinsurance for members of society.
- Protecting property, preventing economic decline, and contributing to achieving well-being.
- Contributing to the completion of the Islamic economic cycle.
- The insurers work together to share the risks the insured may face and how each contributes to cover the effects of these errors, thus distributing the burden among them all.

3.2. The significance of Takaful insurance

This can be summarized as follows:

- **Providing security and safety for subscribers:** The Takaful insurance system helps mitigate risks that may affect any member and distribute them among the insured. Security

for subscribers is meant to be derived from the subscription fund.

- **Achieving lawful earnings:** This insurance is a path to lawful earnings for subscribers, given that compensation is paid from the subscription fund.
- The insurance company is a manifestation of the validity of Islamic Sharia and its adaptability to all times and places, while embracing the concept of cooperation and justice, far removed from exploitation and selfishness.
- **Contributing to building the economy and supporting its progress and prosperity:** This goal is achieved by utilizing subscribers' funds and investing them in lawful ways, which leads to reducing unemployment and poverty in society and creating new jobs.
- **Completing the chain of the Islamic economy:** It constitutes a pillar of the Islamic economy and a link in its chain, alongside Islamic banks, Islamic reinsurance companies, and Islamic financial markets. These institutions' relationship is complementary, and their success depends on their value. (Harmoush Iman Muqeemh Sabry, 2019, p. 69)

4. Principles and Characteristics of Takaful Insurance

4.1. Principles of Takaful Insurance

The Takaful insurance system is founded on several key principles:

4.1.1. Cooperation: Activities within Takaful insurance are rooted in cooperation and mutual support among participants. When a risk or loss occurs, participants collectively share the burden, with all members contributing to the offset of that loss.

4.1.2. Commitment to Donation: The premium paid by participants is viewed as a donation. In the event of a loss or risk, any contributions made by participants are based on this principle of mutual support.

4.1.3. Avoiding Ignorance and Arrogance: Takaful insurance aims to eliminate the confusion and arrogance often experienced by those involved with conventional insurance. Participants frequently lack clarity regarding compensation amounts in the event of a loss or risk. Additionally, there may be issues regarding the duration of insurance coverage that do not align with Islamic law.

4.1.4. Avoiding Prohibited Investments: Takaful insurance companies are required to invest their surplus funds only in ventures that comply with Islamic Sharia. They are prohibited from investing in businesses that engage in alcohol production, weapons manufacturing, or other impermissible activities.

4.1.5. Gambling and Betting: Participants retain ownership of the payments they make, unless they receive compensation for a loss they incur. Furthermore, any compensation that exceeds the amount paid by a participant is regarded as a voluntary donation, reinforcing the principles of cooperation and solidarity among participants. (Hassan Shazly, 2010, pp. 4-5).

4.2. Characteristics of Takaful Insurance

Takaful insurance has unique characteristics that set it apart from other types of insurance. The most important of these are:

4.2.1. Donation Contract: The Takaful cooperative insurance contract functions as a donation agreement. In this system, the insured individuals contribute their premiums to help cover the losses of others in the Takaful community. The insured individuals make these contributions without any intention of profit or commercial gain.

4.2.2. Combined Insurer and Insured Roles: One of the defining features of Takaful insurance is the dual role of members as both insurers and insured. This reciprocal arrangement fosters a sense of mutual support and prevents exploitation, as the funds (premiums) are collectively owned by the participants.

4.2.3. No Profit Element: The primary goal of Takaful insurance is to provide essential services to members in the most efficient manner and at the lowest possible cost. The premiums paid are viewed as donations rather than a means of generating profit, reflecting the intention to cover potential risks. The amount collected from premiums is determined based on the need to provide adequate insurance coverage, with any excess indicating that too much was collected.

4.2.4. Distribution of Surplus to Subscribers: In Takaful insurance, the surplus refers to the difference between the total premiums collected and the compensation payouts made. Unlike in commercial insurance, where profits belong to the founders, any surplus in Takaful is shared among subscribers. This principle ensures that subscribers have a claim to the surplus, especially when they may need to contribute additional funds to cover shortfalls in compensation.

4.2.5. No Requirement for Capital: Takaful insurance operates on the principle of pooling risks among a large group of members, which diminishes the need for initial capital investment. Losses incurred by any member are distributed among all participants, eliminating the financial burden on any single individual.

4.2.6. Low-Cost Insurance: Aiming to provide insurance services at the lowest possible cost is a priority for Takaful projects. This is achieved by eliminating profit motives and minimizing administrative expenses. The model often eliminates the need for intermediaries and reduces costs associated with advertising and marketing.

Overall, Takaful insurance emphasizes cooperative principles, mutual aid, and the well-being of its members, making it a distinctive alternative to traditional insurance models. (Nassara Abdelkader Bouaziz Azah, 2020, p. 263)

5. Types of Takaful Insurance and Its Nomenclature

5.1. Types of Takaful Insurance

Takaful insurance is divided into two categories, as follows:

5.1.1. General Takaful: General Takaful programs are essentially short-term joint insurance contracts (usually one year), providing mutual compensation in the event of a loss. The programs are designed to meet the protection needs of individuals and corporate entities regarding substantial loss or damage resulting from a sudden peril or disaster that affects the real estate, assets, or property of the participants. The Takaful contributions paid are pooled within the participants' risk fund, based on the principle of a commitment to donate, to cover the business risks inherent in their Takaful activities.

5.1.2. Family Takaful: Family Takaful deals with providing financial assistance to members and their families in the event of calamities related to death or disability. This type of Takaful insurance usually requires the Takaful institution to enter into a long-term relationship with the members for a specified number of years. It also requires the member to make regular payments as a participant in the Takaful insurance program. (Abdul Salam Ismail, 2010, p. 06)

5.2. Takaful Insurance Terminology

The Takaful insurance system has expanded across the world, and its terminology has varied between four different names, each with its distinct meaning:⁹

5.2.1. Cooperative Insurance: This is due to the cooperation of a group of participants in compensating for damages resulting from insured risks that befall one of them.

5.2.2. Mutual Insurance: This occurs for two reasons:

- The group of participants exchanges responsibility for the damages that befall one of them as a result of the insured risk.

- It is also called this because each member of the insurance participants combines the roles of insurer and insured.

5.2.3. Takaful Insurance: This is relatively newer, with the term becoming popular after a symposium bearing this name, held in Khartoum in 1995. (Musa Mustafa Al-Qudah, 2011, pp. 04-05)

5.2.4. Islamic Insurance: It is called Islamic insurance because it is compatible with the provisions of Islamic Sharia, eliminating uncertainty, usury, and gambling in its transactions, thus distinguishing it from commercial insurance. (Qattaf Abdul Qader, Bin Ayya Fatima, 2023, p. 378).

6. Similarities between Takaful insurance and commercial insurance

The similarities between Takaful insurance and commercial insurance can be highlighted through the following table:

Table 01. Similarities between Takaful insurance and commercial insurance.

General Purpose	The objective of the insurance system is to mitigate the damages resulting from risks, thus alleviating the burden on those affected.
Legal Form of the Company	It is a public joint-stock company that provides insurance services after its founders establish it with capital paid by its shareholders. It owns the premiums in the former (commercial) model, and it assesses the Takaful fund and invests its funds in the latter (Islamic Takaful).
Technical and Statistical Foundations	The same technical and statistical (scientific) principles are used to assess the risks to be insured against and to estimate the amounts of premiums or contributions, with reinsurance ² being present in commercial insurance and Islamic Takaful insurance.
Terms and Drafting of Documents	The terms and method of drafting the policy are similar, provided that the terms are acceptable under Sharia law, such as exemptions for deductibles. The difference is often limited to the texts and definitions of Takaful, subject to the governing law to ensure that it does not contravene Sharia provisions.
Types of General Insurance	Insurance is generally divided into: property insurance (against damages) and personal insurance (death insurance, disability insurance, or injury insurance)

Source: Labni Wissam, Ben Abdel Laoua Afef, *The Reality of the Takaful Insurance Industry in Arab Countries and Prospects for its Development with Reference to the Case of Algeria*, Master's Thesis in Economics, Monetary and Banking Economics Specialization, University of Mohamed Seddik Ben Yahia - Jijel, 2019/2020, p. 26.

7. The differences between Takaful insurance and commercial insurance

These differences can be highlighted through the following table:

Table 02: Differences between Takaful insurance and commercial insurance.

Scope of Difference	Takaful (Islamic) Insurance	Commercial Insurance (Conventional)
Definition	Takaful insurance is a type of group insurance where each member agrees to contribute a certain amount of money to help cover damages when insured events happen, based on the idea of mutual support and cooperation. Insurance operations are managed by a specialized company acting as an agent for a fixed fee or by a select group of policyholders.	Commercial insurance is a financial compensation contract that aims to profit from the insurance itself. The provisions of financial offerings affected by the tax apply to it.
Subject of Contract	The subject of the contract is the commitment of all policyholders to bear the consequences of the incurred risk and pay the required contributions on a donation basis. It is a contract based on solidarity to distribute risks and repair their effects.	A contract whereby the insurer undertakes to pay the insured or the beneficiary a sum of money or any other financial compensation in the event of an accident or the occurrence of a risk specified in the contract. This is in exchange for a cash consideration paid by the insured to the insurer. Commercial insurance is a contingent financial compensation contract.
Nature of Contract	Takaful insurance is a donation contract intended to cooperate in dispersing risks.	Commercial insurance is a contingent financial compensation contract.
Subscription	Takaful participants are insured, and their participation is exploited by the Takaful company only in a way that benefits them all. The Takaful insurance participant is a partner with a share of the profits resulting from the investment.	Policyholders are an external element to the insurance company. The traditional insurance company uses policyholders' money for its benefit. Policyholders are not partners, and the traditional insurance company makes the profits alone.
Objective	The Takaful insurance company aims to achieve cooperation and solidarity among its participating members; its primary goal is not profit.	Making profits at the expense of policyholders.
Insurance Surplus	The Takaful surplus belongs to the Takaful participants.	The surplus is owned by the traditional insurance company.
Extent of Monopoly	Monopoly is prohibited, as are all the subscribers.	This leads to the monopoly of the insurer by private companies controlled by a small group that controls people's savings, money, and means of production.
Sharia Ruling	This practice is permissible according to the consensus of jurisprudential bodies and the vast majority of jurists.	It is prohibited according to the consensus of most jurisprudential bodies and the vast majority of scholars.
Controls	Its funds are not invested in areas prohibited by Sharia.	It does not care about what is permissible or forbidden; profit is important.
Supervision	It is subject to Sharia oversight.	It is not subject to Sharia oversight.
Character	The subscriber is considered both the insured and the insurer.	There is a separation between the insured who owns the company and the insured who buys the insurance policy.

Source: Khadija Al-Hajj Naas, Fadhila Maamar Qadri, Takaful Insurance between Theoretical Foundations and Practical Practices in the Arab World - A paper delivered at the Seventh International Forum on the Insurance Industry: Practical Reality and Development Prospects - Countries' Experiences - Hassiba Ben Bouali University, Chlef, pp. (06-07).

8. Takaful Insurance in Algeria

8.1. Financial Relationships in the Takaful Insurance System According to Executive Decree No. 21-81

Article 2 of Executive Decree No. 21-81 emphasizes the necessity of separating the participants' accounts from the partners' accounts. It states: "The participants' fund (or participants' account) is the account into which contributions, investment income, and operating costs are deposited. This is referred to as the participants' account or the participants' fund. The partners' account, representing the accounts of the company engaged in Takaful insurance or Takaful reinsurance, is completely distinct from the participants' fund."¹¹

The financial structure of the Takaful insurance system consists of two distinct account sections: the partners' or shareholders' account, which represents the company's capital, and the insured participants' account, known as the Takaful fund. The insured individuals contribute to the participants' fund until a risk occurs. In the event of a claim, the insured receives compensation from the Takaful insurance fund based on the extent of the damage. If a deficit arises in the Takaful fund, the institution will obtain a satisfactory loan, which, as stated in Executive Decree No. 21-81, is defined as "an interest-free loan, redeemable within an agreed period, intended to cover the deficit recorded by the participants' fund." If no claims arise, a surplus is generated in the fund, which is then distributed among the Takaful participants.

8.2. How Takaful Insurance Works in Algeria

The Takaful insurance process operates according to three models outlined in Article 9 of Executive Decree No. 21-81. The article states: "The company conducting Takaful insurance operations shall manage the fund mentioned in Article 2 according to the following operating models: the agency model, the mudarabah model, and the mixed model (agency, mudarabah)."

8.2.1. Agency Model: In this model, the company manages and operates subscriptions on a remunerated agency basis. The company manages insurance operations in the form of a Takaful insurance fund on behalf of the insured. It is responsible for accepting new subscribers, collecting premiums from members, and paying compensation to those affected. (Nawal Laachraoui, 2021, p. 754)

According to Article 21-81 of the Executive Decree, "The company practicing Takaful insurance undertakes to manage the fund in exchange for a fee in the form of a commission called the 'agency commission,' calculated based on a fixed percentage applied to the amount of contributions paid."

8.2.2. Mudarabah Model: Mudarabah is an investment agreement involving two parties: one providing the capital and the other providing the effort (mudarabah). The two parties divide the profits generated from this partnership according to a predetermined ratio, such as 50/50 or 2/1. In this model, policyholders act as the capital providers, while the insured party serves as the mudarib.

Article 11 of the relevant decree specifies that, based on the mudarabah exploitation model mentioned in Article 9, "the company practicing Takaful insurance is responsible for managing the fund in return for a fee that is calculated based on a pre-determined share of the technical and financial surpluses generated by the fund." (Samia Damie, 2022-2023, p. 12)

8.2.3. Mixed Model (Agency, Mudarabah): The mixed model integrates both mudarabah and agency roles. In this system, the insurance company functions as both the mudarib and the agent

for the participants in the insurance fund. Meanwhile, the participants assume the roles of capital providers and principals. The company receives an agreed-upon agency fee and is also entitled to a certain percentage of the profits generated from commercial investments. (Abdelhafidh Moussa Oulsmi, 2022, p. 103)

According to Article 12 of Executive Decree 21-81, which discusses the mixed exploitation model outlined in Article 9, "the company practicing Takaful insurance will manage the fund in exchange for a fee that consists of an agency commission along with a pre-determined share of the technical and financial surpluses generated by the fund.

9. The Takaful Insurance Market and Its Challenges in Algeria

Despite the long history of Takaful insurance around the world and its widespread presence in Islamic countries, it has only recently emerged in Algeria. Various reforms have been implemented to develop and expand this sector, but it still faces significant challenges in maintaining stability. In this section, we explore the Takaful insurance market in Algeria and its major challenges.

9.1. The Takaful Insurance Market in Algeria

Algeria has focused on developing its insurance sector, particularly Takaful insurance, which has seen little progress since 1995. At that time, Salama was the only company operating in this field. The situation began to change with the issuance of Executive Decree 21-81, which led to the growth of the Takaful insurance market with the introduction of two additional companies: Algeria Takaful and Algeria United Takaful Insurance.

9.1.1. Salama Company: The insurance sector in Algeria was opened up to development under Order No. 05-04, dated January 25, 1995. Salama Insurance Company was established to provide Takaful services, making it the first and only institution in Algeria to offer this type of insurance until the issuance of Executive Decree 21-81 in 2021. Salama Company provided various Takaful products based on the principles of Islamic Sharia, collectively known as Takaful.¹⁵

- Takaful Insurance and Capital Accumulation: This type of insurance includes the repayment and distribution of capital upon retirement.
- Takaful Insurance and Social Care: This coverage is activated in the event of the insured's death or permanent disability.
- Takaful Insurance and Credit: This product facilitates the repayment of outstanding loan balances to the lender if the insured passes away. It is designed for both public and private sector employees.
- Benefits of Takaful Products: Takaful offers flexible products that help individuals build a retirement pension for their families. (Saliha Fellag, Maamar Hamdi, and Hajar Bouzian Rahman, 2020, p. 123)

9.1.2. General Insurance Company for Medium-Sized Insurance (GAM) (Algeria Takaful): After Salama was the only company providing Takaful insurance services in Algeria, Executive Decree 21-81 was issued in 2021, regulating Takaful insurance activity in Algeria. This resulted in the emergence of a new company practicing Takaful insurance activity called the General Insurance Company for Medium-Sized Insurance, also known as Algeria Takaful. The company specializes in general Takaful insurance and has gained acceptance among citizens and clients due to its compliance with the provisions of Islamic Sharia

The company has received approval from the Ministry of Finance for its "General Takaful Window" and has obtained a Sharia compliance certificate for its general takaful products from the National Sharia Fatwa Authority for the Islamic Finance Industry at the Supreme Islamic Council. The General Company for Intermediate Insurance plays a vital role in the Algerian insurance market by offering its general takaful insurance products to a wide range of economic agents and customers. These products provide coverage for property damage and civil liabilities for individuals, businesses, and small and medium-sized enterprises, addressing their potential needs for protection against unforeseen risks.

Additionally, the company aims to boost the demand for insurance and strengthen the role of the insurance sector in the national economy through the introduction of its new general takaful offering.¹⁶

GAM's subscriptions reached approximately 76 million Algerian dinars in 2023. During this year, the company also managed to gain the trust of more than 2,100 subscribers across various types of insurance, compensate more than 80 files of 100 declared accidents, and open 12 affiliated agencies across the country. It aspires to open more agencies during the current year. It also signed 7 agreements with public and private banks to cover various forms of Islamic financing within the framework of Islamic banking, and also participated in specialized academic forums with a national and international dimension

9.1.3. United Algeria Takaful Insurance: United Algeria Takaful Insurance specializes in family insurance and operates according to Islamic insurance principles. Established in 2022, it resulted from the collaboration of six banks and four personal insurance companies, with ten shareholders participating in its formation.

The company offers various insurance products, including Islamic banking financing, as well as options related to health, travel, accidents, and employee insurance. It benefits from a public banking network that includes 1,200 agencies and approximately 500 Islamic banking windows.

United Algeria Takaful Insurance is dedicated to promoting Takaful insurance across all Islamic financing, aiming to gradually replace conventional insurance. To support this initiative, it has signed agreements with five public banks to provide insurance for Islamic banking financing. (Kashy Moussaou et al, 2022, p. 543)

9.2. Takaful Insurance Challenges

Takaful insurance in Algeria faced several challenges that hindered the development of the insurance industry, including the following:

9.2.1. Challenges related to the legal environment:

- The significant delay in issuing decrees regulating Islamic insurance activity in the Algerian insurance market from its inception in 1985 to 2021, while many Islamic and non-Islamic countries were pioneers in this regard.
- The Algerian legislature required insurance companies accredited in the national market to allocate 50% of their company revenues in the form of shares in public treasury bonds.
- Salama Insurance Company created a special account to include the interest it receives, separating it from annual profits under the supervision of its Sharia Supervisory Board.
- The financial statement models of Algerian insurance companies were not consistent with the standards set by the Accounting and Auditing Organization for Islamic Financial Institutions in Bahrain, which required Salama Insurance Company to prepare its financial statements

using traditional accounting models that take into account the principles of Takaful insurance.

- Although the private sector was provided the opportunity to develop the insurance industry, as stipulated by Law No. 07/95, it did not contribute to the development of Islamic insurance, particularly Takaful insurance in general.

9.2.2. Challenges related to the economic and financial environment:

- The lack of Islamic banks in the Algerian banking system prevents Salama from investing its insurance subscriptions and achieving growth rates in the sector, as Islamic banks are the primary driver of the Takaful insurance sector.
- Low income levels among individuals negatively impact the volume of subscriptions and, consequently, the returns for Takaful insurance institutions.
- The absence of a financial market and the weakness and inadequacy of investment opportunities.

9.2.3. Challenges related to cultural, scientific, and legal aspects:

- The absence of an insurance culture and the negative perception of insurance, which is viewed as a tax by members of Algerian society, in addition to the delay in issuing legislation regulating the sector.
- The absence of a role for Takaful insurance companies in spreading insurance awareness in Algerian society and raising awareness of its importance and investment role, which negatively impacts the volume of activity.
- The lack of qualified human resources trained in modern methods and in the field of innovative mathematics. In Algeria, there is a noticeable lack of interest in university training in the field of protection and exposure to losses that occur without resorting to insurance.

The marginalization of specializations related to Islamic insurance in Algerian universities has led to a significant shortage of professionals knowledgeable in Islamic insurance management principles within insurance companies.

A significant shortage of Islamic Sharia scholars specializing in the management and direction of Islamic insurance companies, with this focus limited to a few university professors and specialists who strive to adopt Islamic insurance and banking in Algeria. (Gharraf Zahra, Ben Ali Nasrin, 2023, pp. 139-140)

10. Prospects and Requirements for the Success of Takaful Insurance in Algeria

10.1. Prospects for Takaful Insurance in Algeria

There are several factors that encourage interest in Takaful insurance in Algeria, including:

- Customers prefer Islamic financial products, including Takaful insurance, because they are based on the principles of Islamic Sharia. This contributes to their acceptance of this type of insurance.
- Given the presence of a growing market globally, particularly in the Gulf states, Algeria is constantly striving to develop its market in this field. On the other hand, Algeria has strong relationships with these countries.
- Algeria is considered a successful and important investment center for global Takaful insurance institutions, given the presence of only one institution active in this field, allowing global institutions to benefit from a larger market share.

The principles upon which Takaful insurance services are based are attractive marketing elements for Takaful insurance products, especially since Takaful constitutes a fundamental element that distinguishes various segments of Algerian society. Given the competitive advantage among Islamic banks in Algeria, the Takaful insurance market is a fertile ground for investment, given the close relationship between Islamic banking and Takaful insurance. The principle of cooperation and donation upon which Takaful insurance services are based is directly reflected in the value of subscriptions due from shareholders, making them lower compared to the premiums due from customers of commercial insurance companies. Most Algerians prefer Takaful insurance companies, particularly because the majority of the country's population falls into the middle-income bracket. (Bakhouya Dris, 2016, pp. 277-278)

10.2. Requirements for the success of Takaful insurance in Algeria

In order for Takaful insurance to succeed in Algeria, a number of legal amendments must be made to ensure it is compatible with the Takaful industry. The most prominent of these are the following:

- Incorporating elements related to the most important characteristics of Takaful insurance, either by adding paragraphs to the articles of Insurance Law 06/04 issued on February 20, 2006, amending and supplementing Order 95/07 issued on January 25, 1995, or by adding a special chapter on Takaful insurance, so that the Takaful insurance contract can cover all risks that do not conflict with the principles of Islamic Sharia.
- Clarifying the relationship between the insurer and the insured, as an agency relationship, a speculation relationship, or both.
- Clarifying the resources and uses of the subscribers' fund, that must be separate from the private capital of the Takaful insurance company. (Hassansi Hussein, Hamiran Mohammed, 2020, p. 20)
- Takaful insurance contracts for individuals must include all the information and conditions included in Articles 07, 60, 60 bis, and 70 of the amended and supplemented Algerian Insurance Law.
- In addition to the conditions contained in Article 7 of the Insurance Law, a condition for donating the premium to the subscribers' fund must be included. - The practice of Takaful insurance by conventional insurance companies through the opening of Takaful windows as a first step.
- Takaful companies' commitment to Article 12 of the amended and supplemented Algerian Insurance Law, which includes the insurance company's obligation to its policyholders.
- Working to regulate Takaful insurance at the level of each company by a Sharia-compliant body charged with monitoring and following up on all operations.
- Exempting insurance companies from the application of Article 14 of the amended and supplemented Insurance Law.
- Reviewing the payment methods of the premium specified in Article 79 of the Insurance Law.
- Including the method for distributing the surplus stipulated in Article 82 of the Insurance Law, while reconsidering Article 85 of the same law.
- The need to exclude the interest rate and discount rate related to the termination of insurance

contracts stipulated in Article 90.

- Reviewing the methods for applying the regulated obligations consistent with the specificity of Takaful insurance stipulated in Article 224 of the Algerian Insurance Law.
- Working to change the pricing of insurance products, particularly those related to interest rates.
- Reviewing the accounting system governing Takaful insurance, due to the separation of two accounts, one owned by the company and the other by the participants.
- Opening a special reinsurance fund at the Central Reinsurance Company as a first phase, pending redevelopment. (Hassansi Hussein, Hamiran Mohammed, 2020, pp. 21-22)

11. Conclusion

Takaful insurance is essentially based on cooperation to share losses and profits in accordance with Islamic Sharia. This has led to the community's acceptance of this type of insurance, which has become widely accepted worldwide, particularly in Islamic countries.

Takaful insurance in Algeria remains weak, with only one institution operating in this type of insurance. This is due largely to the state's lack of role in enacting laws consistent with the requirements of Islamic Sharia, in addition to a lack of public awareness, on the one hand, and the state's lack of interest in the sector's workers through training in the field of Takaful insurance, on the other.

Validity of Hypotheses

The first hypothesis: Our research confirmed the validity of the first hypothesis, indicating that Takaful insurance in Algeria faces challenges related to legal issues, as well as a lack of societal understanding and acceptance of Takaful insurance.

The second hypothesis: Takaful insurance in Algeria is generally accepted by society due to its foundation in the provisions of the Quran and Sunnah regarding financial transactions. This result supports the validity of this hypothesis.

Suggestions and Recommendations:

- Work to train workers in the insurance sector on how to operate in accordance with Takaful insurance.
- Work to increase the number of institutions operating in Takaful insurance while raising public awareness about this field.
- Establish the legal regulation of insurance in Algeria based on the principles established in French law, noting that such an approach is inconsistent with the nature of Algerian society, which relies on Islamic Sharia law in its daily dealings in various fields.
- Organize international and national scientific conferences on Takaful insurance.
- Work to prepare the financial market in Algeria to keep pace with the provisions of Takaful insurance.
- Focus on the regulatory aspect regarding the practice of Takaful insurance within institutions.

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To cite this article according to (APA):

Moustafa belguerbouz, and Ali Benguetib. (2026). Takaful insurance in Algeria: opportunities and challenges. *Journal of New Economy*, Vol 17 / Issue 01-2026.