

Developments in the Takaful Insurance Industry Worldwide the Algerian Experience

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Abstract

This study aims to conduct an analytical study of the most critical indicators of Takaful insurance companies worldwide and to identify the reality of Takaful insurance in Algeria, highlighting its emergence as a legitimate alternative to conventional insurance. The study variables representing Takaful insurance were presented, in addition to analysing the experience of Takaful insurance at the global level and studying its reality in Algeria. The study concluded that the success of Takaful insurance worldwide is linked to the achievements of Islamic finance in general, while in Algeria, the Takaful insurance industry was weak in implementation, lacking the minimum requirements for establishing the Takaful insurance industry, especially on the regulatory side, and having a low level of insurance culture.

Keywords: *Takaful Insurance, Salama Insurance Company, Algeria.*

Classification: Jel; G22.G24.F65

INTRODUCTION

The concept of insurance is not recent; it dates back to ancient times when the need for cooperation and mutual assistance among individuals arose. Insurance plays a vital role in protecting assets and wealth for individuals and nations. Today, the insurance industry witnesses two distinct types of insurance: traditional commercial insurance and Takaful insurance, which falls under Islamic cooperative insurance. Recently, Takaful insurance institutions have emerged as an alternative to profit-driven commercial insurance, but they still need to achieve social solidarity. Islamic insurance has become one of the components of economic and social systems.

Amidst global economic transformations, Algeria, like many other countries worldwide, has turned towards Islamic financial services to reform its banking and monetary system, enabling effective integration into the global economy.

The issuance of Law 95-07 on January 25, 1995, amended and supplemented by Law 06-04 on February 20, 2006, related to insurance, marked a qualitative turning point in the Algerian insurance system, opening the door to the establishment of private insurance companies with national and foreign capital. Decree 21-81, dated February 23, 2021, outlined the conditions and procedures for practicing Takaful insurance in Algeria. Considering Takaful insurance as a nascent industry in the financial system, Algeria, like various countries, seeks to adopt and develop this industry as part of modern trends in the insurance sector. Consequently, the research aims to address the following fundamental question:

• ***What is the evolution of the Takaful insurance industry worldwide? And what is Algeria's position in adopting and implementing Takaful insurance?***

To answer this question, the research will follow the following plan: dividing the study into the following axes:

Axis 1: The nature of Takaful insurance.

Axis 2: Evaluation of the Takaful Insurance experience.

Axis 3: The evolution of the Takaful insurance industry in Algeria.

Subsidiary Questions:

To address the study's question, the following subsidiary questions are posed:

- *What are the nature and characteristics of Takaful insurance as a standalone financial industry?*
- *What is the success rate of adopting the Takaful insurance experience?*
- *What is the evolution of the Takaful insurance industry worldwide? And specifically in Algeria?*

Study Hypotheses:

To answer the posed question, the following hypotheses are adopted, which will either be supported or refuted:

- *Takaful insurance is a financial service that aligns with the principles and regulations of Islamic law, achieving cooperation and mutual assistance among policyholders.*
- *The Takaful insurance industry in Algeria is nascent and has not gained significant popularity among insurance companies, facing unprepared grounds for its operation, hindering widespread adoption of this service.*

Significance of the Study:

The significance of this study lies in addressing one of the modern topics, the Takaful insurance industry, by defining it and elucidating its mechanisms, primarily as it serves as an alternative to commercial insurance, which does not adhere to Sharia principles in its transactions. Additionally, the importance of this study is underscored by its focus on the Takaful insurance industry in Algeria, given its recent emergence. The study seeks to diagnose the current situation and understand the challenges hindering the development of the Takaful insurance industry in Algeria.

Objectives:

Through this study, we aim to achieve the following objectives:

- Define the topic of Takaful insurance and illustrate its importance within the financial system.
- Examine the reality of Takaful insurance worldwide and Algeria in particular.
- Study the critical indicators of the Takaful insurance market.

Reasons for Choosing the Study:

The choice of the topic of the Takaful insurance industry stems from its importance in contemporary Islamic finance and the desire to understand the reality and development of this industry in Algeria.

Methodology:

A descriptive-analytical methodology is adopted to address the research question, discussing the evolution and practical application of Takaful insurance and highlighting the performance of Takaful insurance companies worldwide. A case study of Takaful insurance in Algeria examines the reality of the Takaful insurance sector globally and in Algeria, mainly through Salama Insurance Company.

FIRST AXIS: NATURE OF TAKAFUL INSURANCE

Takaful insurance is among the modern and widely used axes today, so it can be approached in terms of definition, principles, characteristics, and types as follows:

First Branch: Definition of Takaful Insurance

Takaful insurance is defined as:

- Insurance where several individuals exposed to similar risks come together, each paying a certain subscription, and these subscriptions are allocated to cover any compensation paid to members until they are recovered. If the members' demands exceed, additional subscriptions are required to cover the shortfall. Members of the Takaful insurance company seek to mitigate losses incurred by some members; they contract to cooperate in bearing the calamity that may befall some of them, and the company is managed by its members, each of whom is an insured and an insurer.
- It is the cooperation of groups of people to mitigate damages and disasters that befall some of them, through organized cooperation, and each group is gathered by a specific collector, with the aim of mutual assistance and support.
- It is a collective contractual arrangement aimed at achieving cooperation among a group of participants in facing certain risks.
- It is an agreement of individuals exposed to similar risks to avoid damages resulting from those risks by stopping their subscriptions or donating them to a charitable insurance fund.
- Different forms of mutual assistance have emerged in Arab societies, including Takaful insurance, which is "an agreement of individuals exposed to certain risks to mitigate the damages resulting from these risks by paying subscriptions based on the commitment to donation.
- Takaful insurance as a principle or system and as a contract "is a collective insurance whereby each participant commits to paying a certain amount of money as a donation to repair the damages of risks.
- It is the cooperation of a group of individuals exposed to a certain risk in dispersing and distributing the effects of that risk among them all.

Second Branch: Principles of Takaful Insurance:

- Takaful insurance is based on the following principles:
- Principle of Donation: It is giving money to others instantly and without compensation, with the intention of charity, and it is commonly known.
- Principle of Non-Contravention of the Company's Activities to the Provisions of Islamic Sharia Law throughout its operations.
- Principle of Distribution of Surplus Insurance to Participants: Participation in excess losses beyond the collected subscriptions.
- Principle of Management: A company or entity manages for a specific fee or a share of the profits from investing the participants' funds.
- Principle of Separation of Shareholders' Funds (Insurance Company) from Participants' Funds (Takaful Entity).

Additionally, the principles of Takaful insurance can also be approached from the perspective of Islamic insurance principles as follows:

- Principle of Avoiding Interest (Usury), Avoiding Fraud, Avoiding Uncertainty (Risk).
- According to Sharia law, the principle of Avoiding Prohibited Investments relies on speculation and all activities related to alcohol or tobacco projects.

Third Branch: Characteristics, Titles, and Types of Takaful Insurance:***First: Characteristics of Takaful Insurance:***

Takaful insurance has distinctive characteristics in addition to the attributes of commercial insurance, as it is a binding contract for both parties, continuous, voluntary, probabilistic, and characterized by goodwill contracts. Takaful insurance contracts are characterized by the following:

- Flexibility in participation changes.
- Participation in losses.
- Contribution of participants to the company's board of directors.
- A Sharia supervisory board exists, and there is an association between the insured and the insurer and surplus distribution among participants.
- Absence of capital requirements for the entity upon its establishment and insurance contract as a donation contract.
- The collective insurance contract is aimed at preserving legitimate funds, and more is needed, in terms of purpose, to repair the effects of risks in a cooperative manner but goes beyond that to achieve profits.

Secondly, titles and types of takaful insurance:*Titles of Takaful Insurance:*

Takaful insurance that complies with Sharia law is referred to by several names, including:

- Cooperative Insurance: This involves collaborating with participants to compensate for damages resulting from insured risks that affect any of them.
- Mutual Insurance: This term is used for two reasons:
 - ✓ Because all participants mutually bear the damages resulting from an insured risk affecting any one of them.
 - ✓ It is also called mutual because each member of the participants' entity in insurance combines the roles of insured and insurer or beneficiary.
- Takaful Insurance: This is relatively newer, as this term became popular after the conference in Khartoum in 1995.
 - Types of Takaful Insurance:

Takaful insurance covers the following types of insurance:

Insurance against Damages: This is divided into two types:

The first type is property insurance, which aims to insure against damages to specific items, such as fire insurance, theft insurance, comprehensive home insurance, glass facade insurance, and vehicle insurance (as supplementary coverage for vehicle structures).

- The second type is liability insurance, which aims to insure individuals against damages to their property in cases where their liability towards others is established, and they are required to compensate the affected party. This is further divided into two sections:
 - The first section is civil liability insurance, including insurance for vehicle owners' liability towards third parties and insurance for owners of factories, institutions, and companies for any liability they may incur towards others.
 - The second section is professional liability insurance, including insurance for professionals such as doctors and pharmacists for any legal liability they may incur towards others due to their professional practice.
- Personal Insurance: This type of insurance aims to protect individuals from risks that threaten their lives, safety, or ability to work. It includes personal accident insurance, which covers permanent or temporary disability resulting from an injury, as well as coverage for work-related injuries and medical treatment expenses.

Takaful insurance types can also be divided into General Takaful Insurance and Family Takaful Insurance as follows:

- General Takaful Insurance: Its programs primarily consist of short-term collective guarantee contracts (usually for one year). It provides cooperative compensation in the event of a loss. The programs are designed to meet the needs of individuals and corporate entities in terms of fundamental losses or damages resulting from sudden risks or disasters affecting the properties or assets of the participants.

- **Family Takaful Insurance:** Family Takaful deals with providing financial assistance to participants and their families in the event of calamities related to death or disability. This type of insurance requires a long-term relationship between the Takaful institution and the participants, although there are some family Takaful products such as group Takaful or deferred Takaful that necessarily require a long-term relationship between the Takaful institution and the participants.

SECOND AXIS: EVALUATION OF THE EXPERIENCE OF TAKAFUL INSURANCE

First Branch: Emergence of Takaful Insurance:

The sector of Takaful insurance has gone through several stages since its inception for the first time in Sudan in 1979, and these stages are highlighted through the following important dates:

- **Year 1964:** A meeting was held in Damascus by the Islamic Fiqh Assembly to discuss insurance, where most scholars agreed on the prohibition of commercial insurance and approved cooperative insurance as an alternative.
- **Year 1979:** Faisal Islamic Bank in Sudan established the first Takaful insurance company under the name Sudan Islamic Insurance Company. Also, at the end of the same year, Dubai Islamic Bank in the United Arab Emirates established the Arab Islamic Insurance Company in the Emirate of Dubai.
- **Year 1984:** Takaful Insurance Law came into effect in Malaysia, and the first Takaful insurance company was established in the same year.
- **Year 1985:** The National Company for Cooperative Insurance, the first fully government-owned Islamic insurance company, was established in the Kingdom of Saudi Arabia

Second Branch: Evaluation of Takaful Insurance Experience:

Faisal Islamic Bank in Sudan was the pioneer in reforming the insurance system by establishing Sudan Islamic Insurance Company in Khartoum in 1979, as part of the project to transform the Sudanese financial system into an Islamic financial system by an official decision in 1984, The Law on Supervision and Regulation of Insurance Operations was issued in Sudan in 1992, which obligated all commercial insurance companies in Sudan to convert to Islamic insurance companies. This was the first time the focus was placed on the necessity of proving the existence of a Sharia supervisory board at the establishment, and it expanded its powers in all activities carried out by the company to ensure the proper application of contracts. A broad supervisory authority was also established, which later issued the fundamental law for Takaful insurance.

Despite the short time gap between the operations of Islamic banks in Sudan in 1975 and the beginning of Islamic insurance companies, Sudanese Takaful insurance companies developed differently. Malaysia issued the first Takaful law in 1984 and thus established the first Takaful Company in November of the same year. Takaful received support from the Malaysian Central Bank, manifested in the government's development of a ten-year basic plan for the Islamic financial industry (2001-2010), with a particular chapter for the Takaful industry. Malaysia also offers licenses to global companies that wish to operate in Malaysia. Malaysia also issued a law that separates family Takaful insurance from general Takaful

insurance, stating that companies cannot engage in both activities simultaneously and providing a timeframe for implementation.

Malaysia is considered the most popular state for Takaful insurance and is expected to be more competitive in damage and personal insurance, as supported by the Islamic Financial Services Act issued in 2013. The Malaysian Central Bank obliges Takaful insurance companies to separate between damage insurance and family Takaful insurance despite the progress made by Malaysia in the family Takaful market, ranking first globally. However, it faced a decline due to the rapid growth of family Takaful from 2009 to 2014 in Pakistan and the United Arab Emirates. The general trend indicates the possibility of Malaysia joining Malaysia within the next five years. Some Asian countries such as Afghanistan, Azerbaijan, Maldives, Singapore, Sri Lanka, and Thailand are revising their legal systems to develop Takaful insurance services to provide more support for growth and expansion in Islamic finance. The same applies to some African countries such as Kenya, Morocco, Nigeria, South Africa, and Tunisia, where a set of laws has been issued to regulate the Takaful industry in their markets.

AXIS THREE: EVOLUTION OF THE TAKAFUL INSURANCE INDUSTRY IN ALGERIA

In this axis, an overview of trends in the growth and development of the Takaful market worldwide in 2017 will be discussed, including highlighting the position of Takaful insurance in the Algerian market.

First Branch: Overview of the Global Takaful Insurance Industry

The Islamic economic and financial movement has emerged as a potential element to solve the world's new challenges. Today, 45 countries have specific Islamic finance regulations to promote its development. According to Thomson Reuters, the Islamic finance sector includes 1,389 institutions and Islamic financial windows worldwide. General Takaful insurance institutions account for 82.6%, represented by 107 institutions, followed by family Takaful institutions at 17.4%, represented by 57 institutions, according to data from the Global Takaful Database.

The Takaful insurance industry is one of the pillars of Islamic financial services and represents approximately 1.1% of the total Islamic financial sectors worldwide. The following table illustrates this:

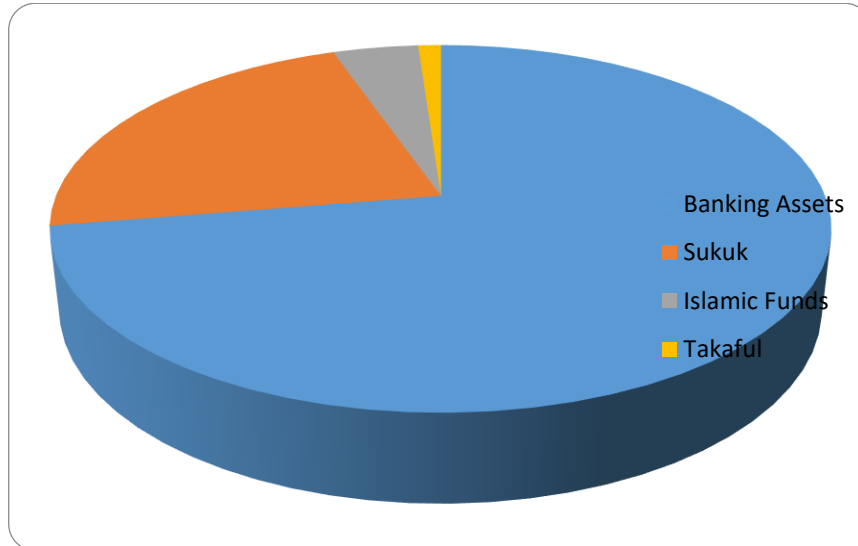
Table No. 01: Contribution of Islamic Takaful to Islamic Finance

Region	Banking Assets	Sukuk	Islamic Funds	Takaful	Total	Percentage%
GCC	854.0	204.5	36.4	11.70	1106.6	45.4%
Southeast Asia	240.5	303.3	26.7	3.02	573.5	23.5%
Middle East	584.3	019.1	16.5	11.36	631.3	25.9%
Africa	33.9	1.8	1.6	0.55	37.9	1.6%
OtherRegions	53.1	14.7	21.1	0.44	89.3	3.7%
Total	1765.8	543.4	102.3	27.07	2438.6	100.00%

Source: Islmic financial services industry stability report-2020

Despite the slowdown and decline in takaful growth, we must consider that the takaful industry is less than 40 years old and should not be regarded as a mature product. However, as a viable alternative that has proven its legitimacy, coupled with increasing awareness of takaful and religious doctrine, this industry will continue to record dynamic growth rates.

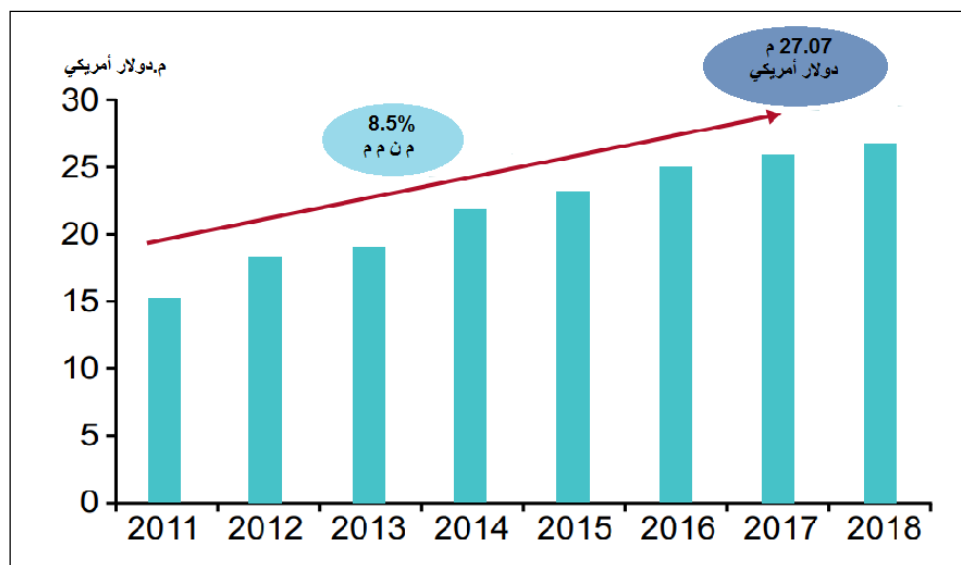
Figure (01): Percentage Contribution of Islamic Takaful in Islamic Finance



Source: Islmic financial services industry stability report-2020

- Amidst the slowdown in economic growth rates in many countries due to financial events and the rise in inflation rates and exchange rate pressures, participation in the Takaful sector decreased by 1.1% yearly. In 2017, it amounted to 4.3% compared to 3.2% in 2018, closing at \$27.07 billion by the end of 2018. However, the compound average growth rate (2011-2018) reached approximately 8.5% in 2018. Despite the sector's potential, it still faces concentration in key markets and a general business line.

Figure (02): Global Takaful Contribution.

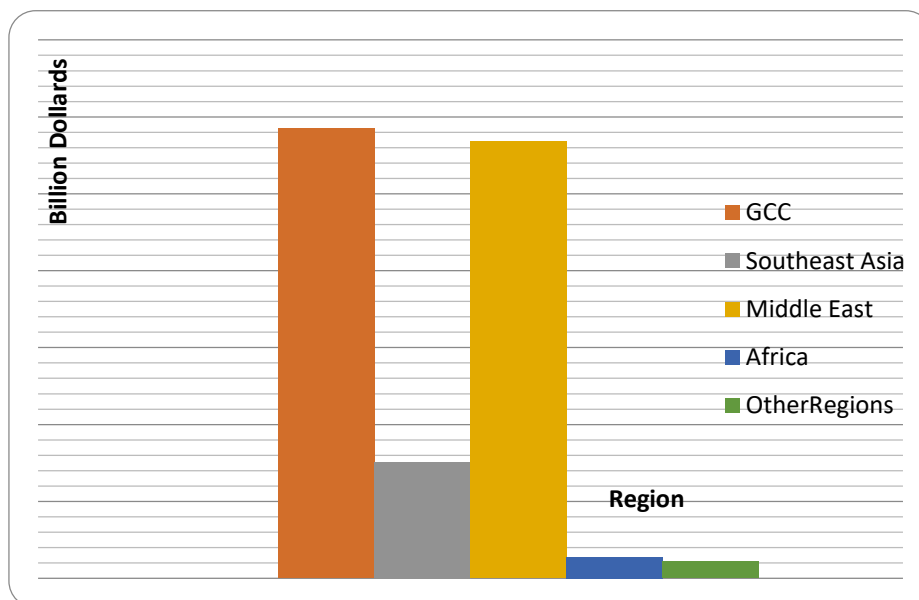


Source: islmic financial services industry stability report-2020

Takaful Contribution by Region: Amidst the slowdown, the Gulf Cooperation Council (GCC) countries maintain their lead as the most prominent global Takaful market with a total contribution estimated at \$11.70 billion, accounting for 43.2% of the total global contributions.

Following them is the Middle East and North Africa region, with a share of \$11.36 billion, equivalent to 42.0% globally. Southeast Asia and the Pacific region come next with a contribution of \$3.02 billion, and South Asia with \$1.2 billion, totalling 20%. Africa ranks last with a contribution of \$0.55 billion.

Figure (03): Takaful Contributions by Region.



Source: Islamic financial services industry stability report-2020

SECOND BRANCH: DEVELOPMENT OF TAKAFUL INSURANCE IN ALGERIA

The endeavour to develop Takaful insurance in Algeria through reliance on innovation and development must recognize an essential category of customers who find traditional insurance companies a reason to refrain from acquiring insurance products. This may be due to religious concerns. Therefore, Takaful insurance products will represent an important outlet in this aspect and could even be a promising branch for developing and diversifying insurance activities in Algeria.

First: Conditions and Practices of Takaful Insurance in Algeria

Algeria has recently worked on providing the legal framework for Takaful insurance through the issuance of Executive Decree No. 21-81, dated February 23, 2021, which specifies the conditions and practices of Takaful insurance. According to this decree, Takaful insurance is based on a contractual approach in which natural or legal persons, referred to as "participants," engage. Participants pledge to assist each other in the event of risks occurring or at the end of the contract period Takaful Insurance, by contributing an amount in the form of a donation called "contribution," allows contributions paid in this manner to establish a fund called the "Participants' Fund" or "Participants' Account." The exact text indicates that the operations and actions related to Takaful insurance "comply with the principles of Islamic law that must be respected." An established insurance company practices takaful insurance in two ways: through an insurance company exclusively engaged in Takaful insurance operations or through an internal arrangement called a "window" within an insurance company involved in conventional insurance operations, according to the decree, which also specifies two forms of this system: family Takaful insurance and general Takaful insurance.

The decree requires companies engaged in Takaful insurance to establish an internal committee called the "Sharia Supervisory Committee" tasked with monitoring and overseeing all operations related to Takaful insurance for the company and providing opinions or decisions regarding the compliance of these operations with the principles of Islamic law and its provisions, adding that the decisions of the Sharia Supervisory Committee are binding on the company. The "Participants' Fund" is managed by the company engaged in Takaful insurance, according to one of the following utilization models: agency, Mudarabah, or a mixed model between agency and Mudarabah. According to the decree, it is mandatory for the company engaged in Takaful insurance to undertake the management of the fund in exchange for a fee in the form of a commission called "agency commission," calculated on a fixed percentage basis applied to the amounts of contributions paid.

Regarding the organization and management of Takaful insurance companies, the text explains that distribution is based on the proportion of each participant's contribution after deducting the compensation paid to them during the relevant financial year, noting that if the amount of compensation paid exceeds their share in the balance amount, the participant does not benefit from any payment. If the fund's balance is negative, the company engaged in Takaful insurance may grant a credit to the Participants' Fund, called "Qard al-Hasan," which is later recovered from the positive balance of the fund. The same decree states that the company engaged in Takaful insurance must resort to reinsurance companies engaged in reinsurance in the form of Takaful reinsurance for reinsurance operations.

Secondly, the Definition of Salama Algerian Insurance Company

Despite the longstanding presence of Islamic insurance worldwide and its spread in Gulf countries and some Islamic nations, it has only recently emerged in Algeria due to the branching out of one of the leading Saudi cooperative insurance companies (Takaful), currently represented by Salama Algerian Insurance Company. The latter was established recently in 2006, absorbing the Barka and Amana establishments established in 2000, being the only one among all insurance companies in the Algerian market dealing in both conventional insurance and Takaful insurance.

Salama Algerian Insurance Company (formerly Barka or Amana) was approved by the Ministry of Finance on March 26, 2000, to carry out all insurance operations. Its legal form is that of a joint-stock company (WAS). Its capital is two billion Algerian dinars (2000.000.000.00), Company Safety Insurance Algeria is one of the subsidiaries of the International Group for Insurance and Reinsurance. Safety Insurance - Arab Islamic Insurance Company practices insurance based on global techniques that combine Islamic law principles based on solidarity and profit sharing. The company's purpose is to conduct insurance and reinsurance operations. Therefore, it is entitled to engage in all types of insurance regulated by regulatory texts. These operations cover specific risks outlined in the company's purpose, including automobile insurance (liability - damage), industrial risks insurance, engineering and construction insurance, simple insurance against risks (commercial premises - homes), marine, land, and air transport insurance (institutions, colleges), various civil liability insurance, car assistance, and reinsurance.

Considering market potentials and taking into account strengths and weaknesses, the company intends to sustainably position itself in the insurance sector by prioritizing key objectives such as increasing its market share, diversifying the portfolio towards individuals, small and medium-sized enterprises (SMEs), and large corporations, increasing productivity,

providing effective customer service, integrating its assets, achieving better technical and financial profitability, and providing customers with a range of logistical and human resources services for optimal service delivery through a robust offering (call center, smartphone application, web portal, SMS, email, social networks, dedicated customer advisors, etc.).

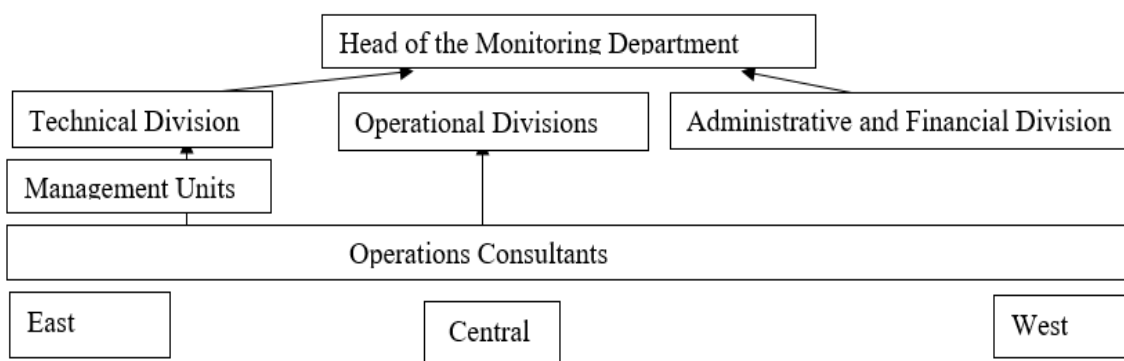
Thirdly, the Distribution of Salama Insurance Branches in Algeria

Salama Insurance Company has 266 sales points distributed across the national territory and managed by six (06) regional administrations: - Central East Algeria, Central Algiers, Eastern Batna, Western Oran, Setif, Eastern Annaba, and Tlemcen.

- Technical capabilities: To provide substantial and diversified insurance guarantees to its clients, it has negotiated relationships and coverage with the National Reinsurance Company (CCR), global reinsurance companies, and some central European brokers. Its proximity to international reinsurers and brokers gives it considerable flexibility in providing insurance coverage. It also possesses a diverse portfolio of insured parties, with 75% individuals and 25% companies of various types.
- Competitive capacity: It is the only company offering Takaful products in Algeria and is listed on the Dubai Stock Exchange under the umbrella of its parent company (IYAK). Transparency and accounting disclosure are provided by presenting accounts at the end of each quarter, unlike other companies that present them once a year.

The structure of Salama Algeria Insurance Company is designed to meet the mission entrusted to the Takaful department in the company.

Figure (04): Structure of the Takaful Department in Salama Algeria Company.



This figure shows us that the Takaful department at Salama Insurance Algeria encompasses three functions: technical, sales, finance and accounting. These functions are distributed across three regions: East, Central, and West.

Products Marketed: Salama Algeria Insurance Company practices insurance based on global technologies that combine the principles of Islamic Sharia-based on mutual assistance and participation in results. The company's purpose is to engage in insurance and reinsurance operations. As a result, it is entitled to practice all branches of insurance regulated by regulatory texts.

Fourth: Evolution of Key Activity Parameters

The company has recorded highly positive results with tangible sales growth, reaching over 4,788,000,000.00 Algerian Dinars in 2017. The following table illustrates this:

Table No. (02): Contribution Ratio of Takaful Insurance Products to Business Volume Achievement.

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business Volume (DZD)	654	1055	1422	1917	2490	2540	2797	3300	4025	4491	4707	5001	4788
Development	23%	61%	35%	35%	30%	2%	10%	18%	22%	12%	4,8%	6%	-4%
Service (Insurance Premium)	309	518	660	1039	1295	1360	1538	1806	2000	2236	2200	2332	2262
Development	3%	68%	27%	57%	25%	5%	13%	17%	11%	16%	0,8%	3%	-3%
Service / Business Volume	47%	49%	46%	54%	52%	54%	55%	55%	50%	50%	47%	47%	47%

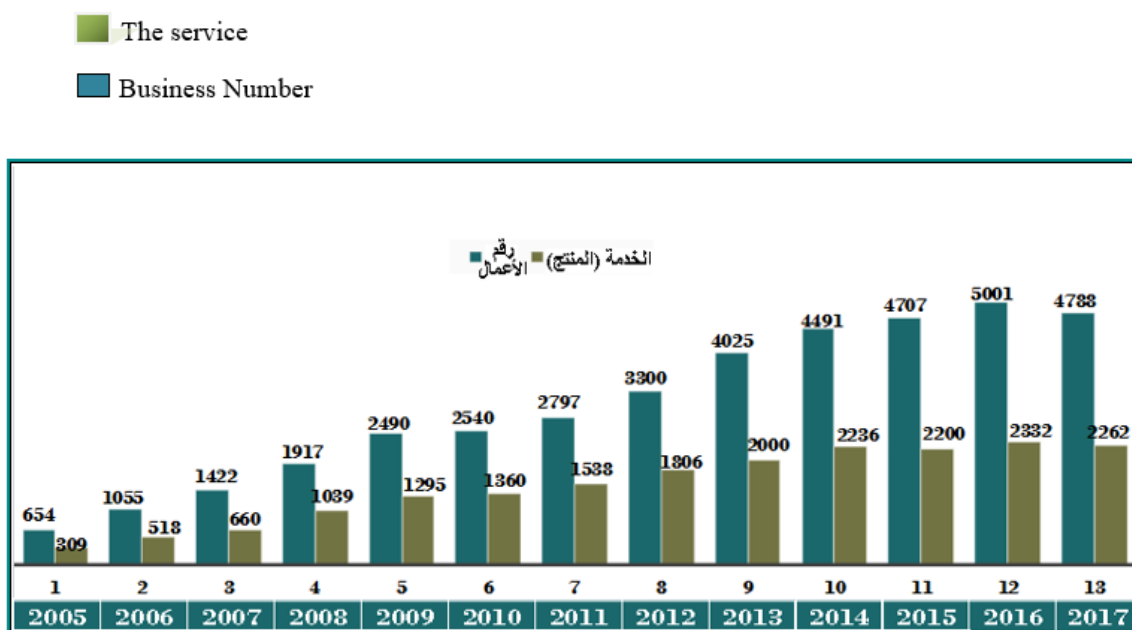
Source: Compiled by researchers relying on Salama Algeria Insurance Company's website.

The above table shows the evolution of the business volume achieved by Salama Insurance Company from 2005 to 2017. The company's business volume increased from 644,000,000.00 DZD in 2005 to 4,788,000,000.00 DZD in 2017. However, the development rate of the business volume varies from year to year, with the highest growth rate recorded in 2006 at 61% the table illustrates the development of business figures achieved by Salama Insurance Company in Algeria from 2005 to 2017. The company's business volume increased from 64,400,000,000 DZD in 2005 to 478,800,000,000 DZD in 2017, although the growth rate varied from year to year. The highest growth rate was recorded in 2006, with an increase of % compared to 2005, indicating a significant increase. Subsequently, there was a satisfactory development in the following three years, 2007, 2008, and 2009, ranging between 30% and 35%. However, the remaining years (2010-2016) witnessed an increase in business volume, with moderate and weak growth rates ranging from 2% to 22%. Nevertheless, this is a positive indicator of the company's business development, although there was a 4% decline in business volume in 2017 compared to 2016. This indicates a decline in the institution's performance, meaning a decrease in the insurance products offered.

The table also depicts the evolution of the returns generated through the insurance services (products) provided to customers based on one of the cooperative insurance formats. It is observed that the volume of insurance products offered by the company increased from 309 in 2005 to 2,262 in 2017, with favourable growth rates. However, there was a 3% decline in the products offered in 2017 compared to 2016. The other years experienced favourable growth rates, with the highest growth percentages from 2006 to 2009, ranging from 68% in 2006 to 25% in 2009. A low growth rate followed this in 2010, estimated at 5%, followed by improvement from 2011 to 2014, ranging between 11% and 17%. The last three years witnessed weak growth rates ranging from 0.8% in 2015 to 3% in 2016. In 2017, the company recorded a decline in the service of insurance products.

Moreover, the table also shows the ratio of insurance products to the annual business volume, indicating the extent of the contribution of cooperative insurance products to the company's business volume. This ratio ranges between 46%, the lowest percentage achieved in 2007, and 55%, the highest rate during 2011 and 2012. Half of Salama's business volume results from providing insurance services and products. Additionally, this type of product experiences positive growth and provides a positive image of the contribution of cooperative insurance in creating and enhancing the insurance culture in Algeria.

Figure 5: Development of Business Volume and Insurance Products for Salama Company during the Period 2005-2017



Source: Salama Insurance Company Algeria website

FIFTH: TAKAFUL INSURANCE MANAGEMENT AT SALAMA, ALGERIA

Salama Company, which practices Takaful insurance, manages the fund/participants' account and executes its financial activities according to the contractual methods stipulated in Islamic finance, namely: "Agency," "Mudarabah," or a combination of both.

Mudarabah Model: Mudarabah is a contract between one or more persons organizing investment in partnership with the capital owner. The profits from Mudarabah are shared between the parties at specified ratios, with the document holders providing the capital and the insurance company acting as the entrepreneur.

Agency Model with a Fixed Fee: Agency or representation is a service through which participating individuals are entrusted with managing the contributors' funds through an agency fee paid to them based on a fixed commission calculated as a percentage of the managed fund's value. Its contributors or external parties can manage the fund.

In these three models, the fund management is granted an interest-free loan in case of a deficit in the contributors' funds, which is repaid when the fund generates a surplus.

CONCLUSION

The Takaful insurance industry has gained acceptance from all Muslim scholars and jurists, as it is based on cooperation and mutual assistance. Products and services have been formulated as alternatives to commercial insurance services. With the emergence of Islamic banking and investment institutions, Islamic insurance companies had to protect themselves from risks in their financial and commercial operations. Thus, Takaful insurance companies emerged to contribute to supporting the Islamic economic system. In this context, the Sudanese Faisal Islamic Bank sought to establish the world's first Islamic insurance company in 1979 in Sudan. The successful Sudanese experience became a model for establishing and expanding this industry. Takaful insurance companies now number 200 worldwide, with Malaysia and Saudi Arabia being the industry's most prosperous countries.

The Takaful insurance industry has become increasingly important within the Islamic financial system, especially as it plays a significant role in providing security for individuals and economic institutions, thereby contributing to their continued operation without risks, or at least minimizing them, in the face of changing economic conditions. This is achieved through the principle of cooperation among participants in sharing the losses resulting from these risks, away from the legal suspicions surrounding commercial insurance companies' activities.

In the context of this development, Algeria has sought to embrace this industry, especially with the opening of the Algerian insurance sector to local and foreign private investments. The first Takaful insurance company in Algeria, Salama Insurance, was established, and it is the only active company in the Algerian market in the field of Takaful insurance.

Study Results:

- Takaful insurance is considered one of the most essential Islamic financial products offered by insurance companies, given the various characteristics and features provided to participants.
- Takaful Insurance has become an autonomous financial industry and has achieved remarkable growth in business volume, with its companies spreading across various countries worldwide.
- The Takaful insurance system contributes to building and supporting the economy and its prosperity by utilizing participants' funds and investing them in legitimate ways, thus reducing unemployment and poverty in society and creating new job opportunities.
- The ultimate reference for all activities and operations of Takaful insurance lies in the provisions and principles of Islamic Sharia, which is ensured through establishing a Fatwa and Sharia Supervisory Board within the organizational structure.
- Takaful insurance is an Islamic alternative to commercial products, primarily commercial insurance.
- Takaful insurance is based on donation and mutual assistance between the parties to the contract, with no intention of making a profit. In contrast, commercial insurance is based on an agreement between the insured and the company to make a profit.
- Achieving cooperation among participants is the primary goal of Takaful Insurance. The company's aim is not profit because it does not benefit from the remaining insurance

premiums, no matter how high they may be. On the other hand, commercial insurance aims to profit from insurance operations, so if insurance premiums exceed expenses and claims, it is considered a profit.

- There is only one company in the Algerian Takaful insurance market, which has been operating for nearly ten years since the start of this experiment. Despite not actively engaging in its activities, it has yet to achieve growth and development in its business volume.
- The Algerian experience is modest compared to the global achievements of the industry, which has rapidly grown its business volume and surpassed 200 companies, making the experience insignificant in the worldwide market.

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