

DYNAMICS OF INSURANCE PRODUCTS
IN THE ALGERIAN MARKET

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INTRODUCCION

The topic of insurance has not attracted as much attention as other subjects, such as consumer decisions related to the purchase of tangible goods and services. This is mainly because insurance is seen as an intangible, future-oriented service, unlike physical products and immediate services, which are more directly linked to marketing and promotional efforts. While insurance plays a vital role in the economies of developed countries, its importance has not always been fully recognized in developing nations. In many such countries, including Algeria, insurance is not yet as closely connected to broader economic activities as it could be.

In today's world, insurance is increasingly considered a measure of economic progress, with its contribution reflected in the performance of the insurance and banking sectors. These sectors are key in meeting the needs of both society and businesses across different industries. Algeria, like other nations, has acknowledged the significant social and economic role of insurance. In response, the country has embarked on several reforms aimed at reducing state control over the sector. As a result, the Algerian insurance industry has expanded beyond large, specialized institutions, such as those serving the oil and gas industry, to include other sectors like agriculture, industry, and commerce.

The policy of liberalizing the national market has had a noticeable impact on the types, quality, and cost of insurance products available. Insurance is also an important tool for mobilizing savings, which can then be reinvested into various projects that generate returns, helping to meet national funding needs. Recognizing this, Algeria has introduced reforms to improve the sector, particularly regarding how insurance funds are managed and invested.

Given the demands of the global economy and the rise of foreign investments in Algeria, it has become increasingly important to strengthen the local insurance sector and ensure that it offers competitive products. To support this, the Ministry of Higher Education and Scientific Research has made it mandatory for university students to specialize in insurance-related fields, ensuring the development of a skilled workforce. This book aims to provide an in-depth look at the Algerian insurance industry, helping students and professionals gain the knowledge and expertise necessary for their careers, whether they choose to pursue higher education or enter the workforce. The main goals of this book include:

- Providing a clear understanding of the core concepts of the insurance industry.
- Introducing readers to the various types of insurance products available in Algeria and the strategies used to develop them.
- Preparing students to develop the skills required to pursue a career in actuarial science within the insurance sector.

In this context, this book serves as a comprehensive guide for students, offering relevant concepts and a methodology that emphasizes clarity, simplicity, and brevity. Through this approach, we aim to highlight the foundational principles that shape Algeria's insurance industry.

CHAPTER ONE
THEORETICAL FRAMEWORK OF INSURANCE

INTRODUCTION

The topic of insurance is of significant economic and social importance, with no disagreement regarding its role. This importance arises from its key contributions to mobilizing financial resources across various economic sectors, as well as its active role in mitigating investment risks and protecting wealth, thus contributing to economic development. Historically, the concept of insurance dates back to the 14th century, driven by the commercial policies of the time, especially along the Mediterranean coast. The idea of paying an insurance premium was first introduced by ship-owners or merchants to protect their vessels. By the 17th century, insurance premiums were regulated by French legislators due to policies that encouraged industry and required the insurance of commercial risks associated with shipping goods across seas and oceans. The first insurance company was established in England in 1720, initially focusing on marine insurance. Insurance activities further developed during the Industrial Revolution in the 19th century, when machinery and new industries brought about the need for new forms of insurance, including life insurance, liability insurance, and property insurance.

In primitive societies, collective solidarity was used to ensure protection from risks. The basic idea of insurance relies on pooling resources from a group of individuals, each contributing to a common fund. This collective financial support helps mitigate the impact of risks when they occur.

1. BASIC CONCEPTS OF INSURANCE

The term “insurance” in its technical sense refers to the set of procedures through which a portion of the financial burden of a specific risk is transferred from a natural or legal person (the policyholder) to another legal entity (the insurer), or to a group of individuals. This is done with the aim of ensuring that the risk is covered through the payment of an insurance premium in case the insured risk materializes. Essentially, insurance can be understood as a set of actions that maintain a certain economic level for the policyholder over a defined period of time.¹

1.1. Insurance: Definition and Terminology

Insurance has been defined in various ways across different sources:

- **Insurance in Arabic language:** It means security and the ability to avert risks.² For instance, in the Quran: “And when We made the House a place of return and a place of security” (Surah Al-Baqarah, Ayah 125).
- **Insurance in Technical Terms:** The American Institute for Insurance Terminology defines insurance as the process of pooling accidental losses by transferring these risks to insurers who agree to compensate policyholders for these losses, or to provide other financial benefits if these risks materialize, or offer related services.³

1. Al-Jarf, M. (2004). *Towards an Islamic insurance model*. Paper presented at the First International Conference on Islamic Takaful, 21-22 September 2004, Islamic Development Bank and Bank Al-Jazira, p. 04.

2. Nasser, M. J. (1998). *Insurance business management between theory and practice*. Majdallawi Publishing House, Amman, p. 167.

3. Regda, G. (2006). *Principles of risk management and insurance*. Translated by M. T. Al-Balqini & I. M. Mahdi, Al-Mareekh Publishing House, Riyadh, p. 51.

- **Insurance as Defined by Himard:** “An arrangement in which one party (the policyholder) pays a premium to another party (the insurer) in return for a commitment by the insurer to compensate the policyholder in the event of an agreed-upon risk.” This involves the insurer taking on a group of risks and compensating them based on statistical principles.⁴
- **Insurance according to Besson:** “An arrangement where one party (the insurer) agrees to compensate another party (the policyholder) for any losses incurred due to a specified risk, in exchange for a premium paid by the latter.”⁵
- **Insurance as Defined by Pfeffer:** “A means to reduce the financial losses caused by risks, wherein the insurer compensates the policyholder for financial losses they have incurred.”
- **Insurance According to Algerian Civil Code:** According to Article 619 of the Algerian Civil Code, insurance is a contract in which the insurer commits to paying a certain amount of money to the policyholder or a third-party beneficiary, upon the occurrence of a specified event or risk, in exchange for the payment of a premium by the policyholder.⁶

In summary, insurance is a contract between the insurer and the policyholder, where the first party (the insurer) provides financial compensation in the event of a specified risk occurring, and the second party (the policyholder) pays a premium. This contract ensures protection against potential and uncertain risks.

1.2. Insurance as a Risk Transfer Mechanism

In the field of insurance and risk management, the term “risk” is used in several contexts. It may refer to the subject of insurance (such as an individual or property exposed to risk), or to a state of uncertainty (the inability to predict financial loss). In the context of insurance, we focus

4. Al-Hakim, A. S. M. T. (2003). *The insurance contract*. Al-Halabi Legal Publications, Beirut, p. 36.

5. Afifi, S. H. (1989). *International insurance*. Egyptian Lebanese Publishing House, 1st ed., Cairo, p. 57.

6. General Secretariat of the Algerian Government. (2007). *Civil Code, contracts of risk, Chapter 3: Insurance contract, Section 1: General provisions*. p. 109.

on “pure risks,” which are those that result only in financial losses (as opposed to speculative risks, such as gambling, where outcomes may lead to either gains or losses).⁷

The concept of insurance is closely linked to risk mitigation, and Henri Fayol was one of the first to emphasize the role of risk management in industrial projects. He described security activities as one of the six key functions in project management. According to modern risk management principles, the aim of risk insurance is to protect the assets and investments of individuals and businesses from potential financial losses, at the lowest possible cost.⁸

In insurance, a “risk” is defined as an event that triggers compensation from the insurer, such as an accident, or a financial risk which can be quantified in terms of the loss it incurs (e.g., damage to property, bodily injury, etc.). Non-financial risks refer to those that cannot be measured in financial terms, as they have psychological or moral implications, which vary according to individuals and circumstances.

For a risk to be insurable, it must meet the following criteria:

- It must result in financial loss, which can be measured.
- It must be a “pure” risk, meaning that the loss is uncertain and unpredictable.
- It must be an event that is external and beyond the control of the policyholder.

1.3. Practical Framework of Insurance

Insurance is applied in practice through two main legal models or frameworks:⁹

A. Commercial Insurance

This model involves two separate parties: the policyholder, who maintains a level of wealth through an insurance contract with a fixed premium, and the insurer, a company that offers the insurance service

7. Najib, S. (1997). *Risk and insurance*. Faculty of Commerce for Postgraduate Studies and Research, Beni Suef Branch, Cairo University, pp. 11-12.

8. Ibrahim, A. A. A. R. (2006). *Principles of insurance*. Al-Dar Al-Jami’iya, Alexandria, p. 38.

9. ARAB Financial Institute. (2016). *Introduction to insurance basics*. Saudi Arabian Monetary Authority, Financial Institute, Riyadh, p. 17.

with the goal of making a profit. The risk is transferred from the policyholder to the insurer through a binding contractual agreement.

B. Mutual or Cooperative Insurance

In this model, the insured parties (policyholders) pool their resources together to cover the risks of individual members. The insurer may act as a manager, and the premiums paid by non-affected members are used to compensate those who suffer losses. The goal here is to provide coverage at the lowest possible cost for all participants, without the intention of making a profit.

2. FOUNDATIONS OF INSURANCE

Scholars and theorists have differing views on the fundamental basis of insurance. Some emphasize the economic foundation, while others argue that insurance is primarily based on legal principles. There are also those who focus on the technical aspects of insurance. Below, we review the three primary foundations of insurance:¹⁰

2.1. The Economic Foundation of Insurance

Thinkers have debated the economic basis of insurance, with some focusing on the economic aspects, while others see insurance as based on legal or technical foundations. Below are a few key theories that explain the economic basis of insurance:

A. The Theory of Insurance and Need

Proponents of this theory argue that the potential of future risks pushes individuals to protect themselves and their assets. From this need for protection, the concept of insurance emerged. However, this theory is often criticized for being neither exhaustive nor comprehensive, as it does not prevent other systems from being included under the same concept. Additionally, it does not cover all types of insurance, such as life insurance, which does not necessarily arise from a clear risk.¹¹

10. Al-Jarf, M. (2009). *Evaluating cooperative insurance systems and policies in Saudi Arabia*. Cooperative Insurance Forum, January 20-22, Islamic World Organization for Economy and Finance, Riyadh, pp. 12-13.

11. Ma'awad, H. (1996). *Developing skills of employees in insurance companies*. Kuwait, pp. 30-32.

B. The Theory of Insurance and Guarantee

This theory suggests that insurance is a means of ensuring financial stability in the future. Individuals seek to protect their financial position and maintain their standard of living. However, this criterion is seen as more of a result of entering an insurance contract than its foundation. Moreover, the concept of “guarantee” is not exclusive to insurance, as other systems, such as pensions, provide similar security without being classified as insurance (e.g., retirement benefits after a certain number of years of service).

2.2. The Legal Foundation of Insurance

Those who support the legal foundation of insurance believe that insurance is primarily a legal contract, though they disagree on the specific legal criteria that should define it. Some argue that the risk itself serves as the legal criterion for insurance, as it leads to damage that requires compensation. Others maintain that compensation – the amount paid by the insurer to the insured – serves as the legal basis for insurance. Below are two primary theories that explain the legal foundation of insurance:

A. The Theory of Insurance and Damage

This theory posits that the goal of insurance is to compensate for potential damages caused by a specific risk. Insurance, in this view, is a protective system against future risks, and its role is to provide compensation for damage to an individual’s financial status caused by these risks. Thus, damage is seen as the fundamental basis of insurance. However, this theory cannot serve as a basis for all types of insurance, despite the emphasis on damage in many cases.

B. The Theory of Insurance and Compensation

According to this theory, the basis of insurance is not damage itself but the goal of compensation – the payment made by the insurer to the insured upon the occurrence of a risk. Compensation is present in all forms of insurance, unlike risk, which may not be applicable to certain types of insurance. However, this theory is criticized for not fully capturing the true nature of insurance, which is primarily designed to protect individuals from risk, in addition to the technical foundations it is built upon.

2.3. The Technical Foundation of Insurance

The proponents of the technical foundation argue that insurance should be structured around technical principles, particularly by pooling the risks faced by individuals and applying statistical laws to calculate premiums. They have divided into two main schools of thought: one advocates for an organized cooperative model based on random exchanges, while the other views insurance as a systematically organized project. Below, we explain these two perspectives:

A. The Theory of Cooperative Solutions Based on Random Exchange

This theory is based on the idea of cooperation among policyholders who face similar risks. In this model, the policyholders themselves ensure coverage for their risks, while the insurer's role is limited to organizing and managing the process. Cooperation among members is based on technical principles, such as determining the premium each member must pay based on the likelihood of risk. However, this theory has been criticized for focusing exclusively on the technical aspect of insurance while neglecting the legal foundation that complements the technical side. This oversight may weaken the effectiveness of the process if it fails to address the rights and obligations of the insured.

B. The Theory of Insurance as a Technically Organized Project

Supporters of this theory argue that an insurance contract requires an organized technical project. Insurance, unlike other contracts, involves a technical process aimed at pooling risks, balancing them, and determining the premium. Thus, an insurance contract must be based on a technically organized project. However, this technical foundation alone is not sufficient, as many speculative activities are managed through technically organized projects that are not classified as insurance.

3. INSURANCE DIVISIONS

Insurance is classified into specific branches based on the nature of the service provided. The main categories are as follows:

3.1. Commercial or Private Insurance

This type of insurance operates on a commercial basis, with the goal of making a profit. It is optional for both the insurer and the insured, and it can be further divided into several types:¹²

- **Property Insurance:** This includes fire insurance, insurance against theft and burglary, transportation insurance in its various forms, agricultural insurance, and engineering insurance (contractor's risks), among others.
- **Personal Insurance:** This is a precautionary agreement between the insurer and the insured, where the insurer agrees to pay compensation in the event of a risk, in exchange for premium payments based on an agreed-upon schedule. Examples include life insurance, health insurance, unemployment insurance, and personal accident insurance.
- **Liability Insurance:** This type of insurance protects the insured from claims made against them due to their legal liability, either under the law or by agreement with a third party.

3.2. Social (Compulsory) Insurance

This is mandatory for workers or employers when certain conditions are met. Participation in social insurance is a legal obligation, with the law specifying its terms and consequences. Unlike private insurance, which is governed by contractual rules, social insurance is regulated by the legislature and supervised by the state. It includes coverage for disability, old age, death, work-related injuries, health insurance, and unemployment insurance.¹³

3.3. Mutual or Cooperative Insurance

In this system, several individuals who face similar risks come together to contribute a certain amount of premiums. These contributions

12. Bani, M. (2014). *Op.Cit*, pp. 43-46.

13. Rzeig, K., & Meraichi, M. L. (2012). *The specificity of the insurance sector and its importance for small and medium enterprises (the case of Algeria)*. Paper presented at the Seventh International Forum on "The Insurance Industry, Practical Reality, and Development Horizons - Country Experiences", Hassiba Ben Bouali University, Chlef, December 3-4, p. 05.

are pooled together to provide compensation to those affected by the insured risks. The main goal is not to make a profit, but rather to offer affordable coverage to the members. Mutual insurance can take two forms:¹⁴

- **Share-based Cooperative Insurance:** Members of this type form a society or association to share financial losses during the contract period. In this case, members pay only the costs of membership and premiums.¹⁵
- **Premium-based Cooperative Insurance:** In this model, members pay their premiums upfront when they join, which facilitates the payment of compensation to those affected by risks. At the end of the contract period, members' accounts are settled, and any remaining premium is refunded, or additional payments may be required if the prepaid premium is insufficient to cover claims.¹⁶

4. INSURANCE IN ECONOMIC THOUGHT

Insurance plays a significant role in providing the necessary funding for development projects and investments. According to various statistics, the ratio of insurance to Gross Domestic Product (GDP) in the Organization for Economic Cooperation and Development (OECD) countries reached 8.96% by the end of 2017.¹⁷ Globally, insurance accounted for 6.13% of GDP, with a value of 650 billion dollars by the end of the same year.¹⁸ Moreover, insurance premiums are considered another form of voluntary or mandatory savings, such as cooperative and commercial insurance, or compulsory social insurance, which is contributed to by both public and private sector employees. It is well-known that individuals with the ability

14. Qasim, M. H. (1999). *Lectures on the insurance contract*. Al-Dar Al-Jami'iya, Beirut, pp. 52-55.

15. Shahab, A. J. A. (2005). *General principles of insurance*. Dar Al-Fikr Al-Jami'i, Alexandria, p. 104.

16. Bani, M. (2014). *Op. Cit*, p. 54.

17. OECD. (n.d.). *Insurance spending (indicator)*. OECD Insurance Statistics Database. Retrieved from data.oecd.org.

18. Sigma Insurance Research. (2018). *World insurance in 2017: Solid but mature life markets weigh on growth*. Swiss Re Institute, No 3/2018, Zurich.

to save, but who do not find suitable savings instruments in terms of security and return, are often unlikely to save. Instead, they may divert their excess funds toward consumption or invest them in less productive forms such as real estate or jewelry.¹⁹

4.1. Economic Objectives of Insurance

Insurance evolves in response to various types of risks, helping to maintain essential economic variables. In addition to serving individual interests, insurance also considers public welfare. It strengthens the economy and functions as a productive factor by safeguarding other means of production, and thus, ensuring economic productivity. The key economic objectives of insurance include:

A. The Purpose of the Insurance Project

The primary goal of an insurer is to achieve the maximum possible profit, which is the difference between revenues (earned premiums and returns on investments) and expenses (claims and reinsurance premiums). The insurance company holds both the premiums and the investment returns, which may result in either a profit or a loss. Both commercial insurance companies and mutual/cooperative insurance bodies set a premium amount, denoted by y , which corresponds to the risk probability π (i.e., πy). This means that there is a probability π of paying an amount K in the event of a claim, and a probability of $1-\pi$ of not paying anything. The expected profit for the company is calculated as: $p=yK-\pi K-(1-\pi)0=yK$ Since the premium y equals the cost π , the expected profit p is: $p=yK-\pi K=0$ ²⁰

This highlights that insurance companies aim to achieve the highest possible profit.

B. The Consumer's Objective in Insurance

The individual seeks to maximize their economic benefit from insurance by maintaining their financial status at a certain level of wealth with a fixed cost, represented by the insurance premium, as shown in the following equation:

19. Dunia, S. A. (2012). *The developmental role of cooperative insurance*. 20th Session of the International Fiqh Academy Conference, in cooperation with the OIC and the Ministry of Religious Affairs, Algeria, September 13-18, p. 02.

20. Al-Jarf, M. (2009). *Evaluating cooperative insurance systems and policies in Saudi Arabia*, previous reference, p. 14.

Remaining After the Risk= Insurance Premium – Wealth Before the Risk

In this case, the insured receives the result on the right-hand side of the equation when no risk occurs, and the result on the left-hand side when the risk occurs. Therefore, in both cases, the individual ends up with the same outcome, which is maintaining a certain economic level, regardless of whether the risk materializes.²¹

Assuming the probability of risk occurrence is 1%, the insured faces a 1% chance of receiving the outcome on the left-hand side of the equation if the risk occurs, and a 99% chance of receiving the amount represented by the right-hand side. No insurance payment is made if the risk does not occur.²²

4.2. Insurance as a Mechanism for Risk Management and Cost Reduction

It is undisputed that insurance is a noble requirement aligned with human nature, as it aims to mitigate the effects of disasters affecting individuals. It is essential for policyholders to prepare for potential material losses resulting from various risks and manage these risks by either preventing their occurrence or minimizing their effects when they happen. Below, we highlight the most significant types of risks.²³

A. Concept of Risk

Bernoulli is considered one of the early economists to discuss risk in economic theory. In 1738, he proposed a model called “Expected Utility,” which combines two hypotheses: first, that individuals always seek to maximize future utility, and second, that this utility is a function that increases with wealth.

Risk can be viewed as an opportunity for loss, meaning that a risk materializes when the probability of loss is 100%. Others define risk as the deviation between actual outcomes and expected ones. For instance, an insurance company makes predictions about expected losses based on which premiums are calculated. Therefore, risk is always based on probabilities.

21. Ibid, p. 15.

22. Najib, S. (1997). *Op.Cit*, p. 14.

23. Saudi Arabian Monetary Authority. (2016). *Introduction to insurance basics*. Financial Institute Publications, Riyadh, p. 12.

Additionally, risk can be defined as the uncertainty of future outcomes compared to the current situation. In this context, risk becomes zero when the probability of its occurrence is zero.

In insurance, risk refers to either the events that, if they occur, obligate the insurance company to compensate for the resulting loss, or the subject of insurance itself. It involves classifying the type of risk, such as identifying whether it is low or high, understanding the probability of occurrence, and the potential damage or loss associated with it. Insurance, therefore, covers the causes of risk for the subject being insured (whether a person, vehicle, or goods) based on varying probabilities.

B. Types of Risks

The process of insurance requires the occurrence of risk, which can be classified into two main categories: **non-economic (subjective)** and **economic** risks.

1. Non-economic (Subjective) Risks:

These risks are related to the social aspects of individuals and do not affect their financial situation. They often take the form of intangible events that cannot be quantified monetarily. Examples include the death of a close friend or a social or religious figure.

2. Economic Risks:

These are risks that result in financial loss, such as the loss of income due to the death of a breadwinner or the financial loss caused by a fire that destroys assets. Economic risks can be further classified into several types:

- **Personal Risks:** These risks involve potential profits or losses. For example, an individual investing in financial markets faces the possibility of profit if stock prices rise, or a loss if prices decline. These risks are voluntarily assumed by the individual.
- **Pure Risks:** These risks result only in a loss, with no potential for profit. Examples include the loss of property, premature death, or any losses arising from natural disasters such as earthquakes and floods. Pure risks can further be categorized into:

- **Specific Risks:** These risks affect specific groups of individuals in society, such as risks related to fire, theft, disease, and liability risks.
- **General Risks:** These involve personal risks, such as damage to income, health, or physical assets (real estate, vehicles, etc.) and liability risks (e.g., an employer's liability for workers or a vehicle owner's liability toward pedestrians).
- **Financial Risks:**²⁴ These are risks that can be measured financially and are related to the results of risk materialization rather than the nature of the risk itself. For example, losses due to damage to property from fire or theft, or the suspension of work due to disability, are measurable and quantifiable. These risks are insurable by insurance companies.
- **Speculative Risks:** These involve potential profit or loss, such as investments in stocks or gambling. This type of risk is not insurable, as it is related to activities driven by personal choice and speculation, rather than accidental losses.
- **Insurable Risks:** These are risks that can be covered by insurance companies. For a risk to be insurable, it must have certain characteristics:
 - The loss must be financial and measurable.
 - The risk must be a pure risk, meaning it has only two possible outcomes: either a loss or no loss (with no possibility of gain).
 - The loss must be accidental and beyond the control of the insured.
 - There must be an insurable interest, meaning that the person purchasing the insurance stands to gain from the insurance in the event of a loss.

24. Bani, M. (2014). *Reality and prospects of Algerian insurance companies under economic reforms and international changes (2005-2011)*. Doctoral thesis in Economic Sciences, Faculty of Economic, Commercial, and Management Sciences, University of Algiers 3, 2013/2014, p. 09.

C. Risk Reduction

Risk can be reduced by avoiding activities that lead to its occurrence, which essentially brings the probability of loss down to zero. For instance, one might avoid buying a car to prevent the risk of a traffic accident or refrain from keeping jewelry to avoid theft. However, avoiding risks is often impractical. Therefore, risk reduction focuses on minimizing the cost of risk by relying on two main methods:²⁵

1. Control and Prevention

This method involves preventing the loss from occurring, such as by purchasing fire extinguishers or installing alarm systems to reduce the financial damage caused by theft. However, this approach is often insufficient to mitigate all risks. Moreover, the cost of prevention may sometimes exceed the potential losses themselves.

2. Law of Large Numbers:

This method seeks to reduce risk by pooling together a large number of similar risk units that are exposed to the same risk causes. The loss experienced by one unit is then spread across all the other units in the group. Since individual capacity to handle risk is limited, pooling efforts increases the collective ability to manage and mitigate shared risks.

4.3. Economic Importance of the Insurance Industry

After discussing the concept of insurance as a tool for transferring risks from potential victims to insurance companies, we now turn to the broader economic benefits of the insurance industry.

A. Avoiding Capital Lockup

Without insurance, businesses would have to reserve large amounts of capital to cover potential losses and repair costs. Instead of paying a known insurance premium, they would need to hold significant capital reserves in case of any loss, which could otherwise be invested in expanding their capital base or developing their business activities.

B. Encouraging New Ventures

Starting any new project requires high-risk investments and large amounts of capital, often financed by shareholder contributions or

²⁵Saudi Arabian Monetary Authority. (2016). *Op.Cit*, p. 18.

through banks. Insurance often acts as a financial guarantee for investors and banks, ensuring that they can recover their investments. For example, insurance against fire damage to assets can provide a safety net, thereby encouraging investors to proceed with investments and ensuring the continuity of their projects.²⁶

C. Import and Export of Insurance Services

Insurance is treated as a commodity that can be exchanged between countries. The country that sells insurance is considered an exporter of insurance services, while the country that purchases it is an importer. Insurance is an intangible product, and as such, it is classified as invisible earnings.²⁷ Companies with large-scale investments require insurance for their equipment, and if the host country lacks an insurance industry, these companies will seek coverage abroad, making the host country an importer of insurance services. The foreign country providing the coverage becomes an exporter of insurance services, receiving premiums in foreign currency.²⁸

Figure 1: Risk Management and Detection Mechanisms

Risk Subject	Risk Cause	Avoidance of Risk-Enhancing Factors
Property	Natural: Fire, lightning, earthquakes, floods	Technical/Objective: Monitoring (materials, machinery, production processes, buildings)
Liability	General (social, political): Unemployment, wars, strikes	Personal/Voluntary: Excessive insurance, malicious intent, loss prevention
Employees	Work accidents, death, disability, unemployment	Specific (individual errors): Theft, fraud, negligence

Source: Mohamed Fikry Shahata, *Risk Theory and Insurance*, Youth Library Publications, Cairo, 1969, p. 144.

SELF-ASSESSMENT QUESTIONS ON THE FIRST CHAPTER

Choose the correct answer for each of the following questions:

Question 1: Insurance deals with risk through the method of:

- A) Preventing the occurrence of the risk
- B) Avoiding the risk
- C) Transferring the risk
- D) Eliminating the risk

Question 2: Insurance can be classified based on its practical foundation into:

- A) Insurance based on commercial principles
- B) Insurance based on social principles
- C) Insurance based on mutual principles
- D) All of the above

Question 3: Which of the following represents speculative risk?

- A) A situation with three possible outcomes (loss, no profit/loss, or gain)
- B) A widespread natural disaster
- C) A situation with only two possible outcomes: loss or no profit/loss
- D) Losses that affect only a few individuals

Question 4: For risk to be insurable, it must be, for the policyholder:

- A) Speculative and incidental
- B) Pure and incidental
- C) Certain and pure
- D) Speculative and certain

Question 5: The risk must be measurable, and this is:

- A) To ensure compensation is possible
- B) To achieve the insurable interest
- C) To make the risk a subject of research
- D) All of the above

Question 6: What does the cause of the risk mean?

- A) Increasing the size of the loss
- B) Reducing the size of the risk
- C) Causing the loss
- D) Having no effect on the size of the loss

Question 7: The Law of Large Numbers helps insurance companies in:

- A) Making reliable predictions about claims
- B) Determining general expenses
- C) Making reliable predictions about income
- D) Predicting new production levels

Question 8: Which of the following risks results in a financial loss?

- A) The disappointment of a person and their family regarding the food quality at a new restaurant
- B) The loss of a close friend
- C) The loss of a religious leader
- D) The death of a relative

Question 9: Which of the following risks is insurable?

- A) Loss of capital due to investment in the stock market
- B) Mortgage of a home to secure a loan
- C) Betting on a profit in a horse race
- D) Losing a large amount in a sports wager

Question 10: Insurance can be defined as:

- A) A financial relationship between the policyholder and the subject of insurance
- B) A contract that adheres to the terms of a specific policy

C) Laws that comply with the regulatory conditions of the state

D) A financial compensation provided by the insurer to the policyholder

1. Al-Jarf, M. (2004). *Towards an Islamic insurance model*. First International Takaful Conference, September 21-22, Islamic Development Bank and Bank Al-Jazira.
2. Nasser, M. J. (1998). *Insurance business management: Theory and application*. Majdallawi Publishing House, Amman.

CHAPTER TWO
THE ECONOMIC ROLE OF INSURANCE

INTRODUCTION

Insurance is a tool designed to protect business owners from unexpected losses that force them to raise the prices of goods and services they offer. This price increase can disrupt the balance of costs, affecting the price system, which is a key factor in maintaining equilibrium in the overall economy. Insurance companies act as intermediaries between policyholders and various economic institutions, making them an integral part of the financial system by collecting insurance premiums and investing them in financial instruments that generate returns, while simultaneously providing protection for businesses and economic assets.

It is also well-known that insurance companies play a significant role in providing the necessary financing for development and investment projects. Moreover, insurance premiums are essentially another form of savings for individuals, with some being voluntary (such as commercial insurance) and others compulsory (such as social insurance). This encourages saving, which in turn stimulates investment – an activity that requires financial capacity, motivation, and willingness. If investors realize they are operating in an environment of uncertainty, surrounded by various risks, they may avoid investing and instead direct all their funds toward consumption. Life insurance, for example, provides individuals with financial security, which helps increase productivity and, consequently, contributes to improved social conditions and economic growth.

1. THE IMPACT OF INSURANCE ON KEY ECONOMIC VARIABLES

The economic role of insurance lies in providing coverage for individuals and businesses against various risks they may face. As such, insurance contributes to achieving economic stability. The insurance process is a future-oriented service, which differs from other types of activities and thus requires trust between the parties involved, both financially and personally. The type of insurance practiced varies according to the size of the economic market and the type of activity being insured. Therefore, understanding the impact of the insurance process on economic variables is essential, especially in developing countries, which often have weak savings systems, widespread hoarding behavior, and limited banking interaction.

According to statistics from the end of 2017,²⁹ the insurance industry contributed 3.1% to global economic growth, amounting to \$602.7 billion. In addition to the fundamental social role of providing protection against potential risks, insurance plays a crucial economic role, particularly in terms of mobilizing financial resources in the form of capital or credit facilities, such as mobilizing domestic savings. This economic role is reflected in the following elements:

1.1. The Relationship Between Insurance and Economic Growth Indicators

A) Insurance as a Means of Investment and Savings: Insurance is a tool for investment through the accumulation of capital from premiums. The premiums collected are used to pay out claims when accidents occur, with a portion kept as reserves, while the remainder is used to form capital and fund investment projects.

29. For more details, see: U.S. Department of Commerce, Bureau of Economic Analysis, Insurance Information Institute, available at www.iii.org.

The savings element is clearly evident in life insurance and mixed insurance contracts.³⁰

B) Enhancing Productivity: Insurance helps by providing coverage for projects, encouraging individuals and institutions to invest in new production areas or expand their existing operations. It also supports the replacement of projects that have suffered partial or total damage, thereby maintaining the same level of productivity and financial returns.³¹

C) Insurance as a Credit Tool and Source of Foreign Currency: Insurance facilitates access to loans by providing guarantees to suppliers, thus encouraging investment. It also acts as a source of foreign currency, facilitating international trade and financial transactions, including premium payments, which stimulates capital movement.³²

D) Insurance and the Balance of Payments: Insurance contributes positively to the balance of payments, as premiums paid for reinsurance are recorded in this account. It strengthens a country's negotiating position in international agreements and partnerships. Therefore, insurance can be seen as a positive indicator, especially when the balance of insurance transactions results in a surplus between incoming and outgoing funds. This helps in reorganizing and expanding the domestic insurance market and channeling insurance reserves generated by foreign companies back into the local market.³³

E) Contribution to Employment Growth and Absorbing Unemployment: The insurance sector, across its various branches, helps absorb a significant portion of unemployment.

30. Ahmed Abu Saud, *The Insurance Contract: Theory and Practice*, Dar al-Fikr al-Jami'i, Alexandria, 2009, p. 43.

31. Ahmed Sayed Abdel Latif Hassan, *Insurance and Its Economic and Social Role and Challenges*, Faqih Research and Development Center, Mecca, 1997, p. 4.

32. Hassanine Ma'awad, *Developing the Skills of Employees in Insurance Companies*, Kuwait, 1996, pp. 30-32.

33. Tarfa Shariki, Rafeed Mohamed, *The Role of the Insurance Sector in Economic Activity*, *Tishreen University Journal for Research and Scientific Studies*, Series of Economic and Legal Sciences, Vol. 30, Issue 04, 2008, p. 159.

As the insurance industry expands, it requires a minimum level of workforce, both technically and administratively. This expansion leads to increased employment opportunities and provides necessary coverage for workers, encouraging them to demand more job opportunities.³⁴

F) Insurance and Inflation: Insurance acts as an effective savings mechanism and helps mitigate inflation by directing spending and demand for goods and services towards savings. This, in turn, helps stabilize prices. Furthermore, the increase in savings leads to an increase in investments, expanding the supply of goods and services, which helps control prices and, consequently, reduce inflation.³⁵

Z) Insurance as a Factor for National Income Growth: Insurance serves as a key player in financial intermediation, playing an active role in collecting individuals' savings and redistributing them within the national economy. It helps reduce the need for capital required for production and facilitates the renewal of projects by covering risks, thus contributing to the development of the economic cycle.³⁶

1.2. The Importance of Insurance as a Financial Institution

Insurance companies are financial institutions that manage capital as financial intermediaries, alongside banks. Their primary business revolves around money, and they invest these funds to generate suitable returns with minimal risk. Insurance companies' operations range from collecting savings to offering both direct and indirect credit facilities, thereby generating financial surpluses from these investments. The

34. Tarek Kandouz, *Analyzing the Competitive Capability of the Algerian Insurance Sector: A Study Based on Density and Penetration Indicators of a Sample of Algerian Companies*, PhD Dissertation, Faculty of Economic, Commercial and Management Sciences, University of Algiers 3, Academic Year 2013/2014, p. 75.

35. Faten Mohamed Said Abdel Ghani, *Inflation and Insurance*, Faculty of Commerce, Cairo University, 1992, p. 44.

36. Bilal Malakhso, *The Role of Insurance in Economic Growth in Algeria (1997-2010)*, Paper presented at the 7th International Conference on "The Insurance Industry: Current Reality and Prospects for Development – Country Experiences," Hassiba Ben Bouali University, Chlef, December 3-4, 2012, pp. 8-9.

success of insurance institutions hinges on their ability to determine an optimal investment policy that ensures a reasonable return while minimizing risk. The financial activities carried out by insurance companies include:³⁷

A) Accumulating Savings: Insurance institutions collect insurance premiums and reinvest them to generate returns for the economy while also providing social services to the community. By gathering premiums, insurance companies effectively force policyholders to forgo part of their funds, which would otherwise have been used for consumption or hoarding. In this way, they contribute to mobilizing local savings.

B) Credit: Insurance companies offer various credit opportunities, both direct and indirect. Direct credit refers to loans granted to policyholders in exchange for collateralizing their policies. The loan amount is usually determined as a percentage of the premiums paid up to the date of borrowing. Indirect credit is offered when an insurance policyholder pledges their policy as collateral to a lender, who evaluates the asset and grants a loan based on its value, often without the involvement of banks.

C) Investment: Insurance companies typically manage significant amounts of funds, which they must invest to meet future obligations. These companies seek to acquire investments in the form of assets with the goal of growing their capital. Common investments include bonds, stocks, or tangible assets such as land and real estate. Premiums collected from policyholders are invested in various forms to generate returns, which are then used to meet the companies' obligations. The companies often diversify their investment portfolios across financial securities, real estate, and mortgage lending.

1.3. The Quantitative Contribution of Insurance to the Economy

Insurance contributes to the national economy through direct payments in the form of insurance premiums and damage compensation. The protective role of insurance also encourages policyholders to

37. Asil Jamil Qaz'at, *Analysis of the Factors Contributing to the Weakness of the Insurance and Credit Sector in Palestine*, Islamic University, Gaza, 2005, p. 24.

save and invest, thus facilitating access to credit, which impacts all sectors of the economy. This, in turn, helps develop industries such as manufacturing, agriculture, transportation, and more. Due to the significant economic impact of insurance, there are various indicators used to assess its contribution to a country's economy. Key indicators include:³⁸

- **Insurance Density Index:** This index relates insurance production to the population size. It measures the per capita share of insurance production, reflecting the culture of insurance within a society.³⁹
- **Insurance Penetration Rate:** This index connects insurance production to Gross Domestic Product (GDP). It reflects the share of insurance companies' business in the total national output.⁴⁰
- **Value Added by Insurance:** The value of insurance to the economy lies in its contribution to compensating the affected parties and preventing actual risks, as well as the surplus returns from investing insurance premiums. ⁴¹The value added by insurance is calculated as follows:⁴²

38. Asil Jamil Qaz'aat, *Analysis of the Factors Contributing to the Weak Growth of the Insurance Sector and Its Investments in Palestine (An Empirical Study of the Insurance Companies Listed on the Palestine Stock Exchange)*, Master's Thesis, Faculty of Commerce, Islamic University Gaza, 2009, p. 24.

39. Salima Tabaibiya, *Evaluating the Financial Performance of Insurance Companies Using Financial Ratios: A Case Study of the Algerian Insurance Company*, Research Series Presented at May 8, 1945 University, Guelma, 2010, p. 75.

40. Ibrahim Zrouqi, Abdel Majid Badri, *The Role of the Insurance Sector in National Economic Development: A Comparative Study Between Algeria and Egypt*, Paper presented at the 7th International Conference on "The Insurance Industry: Current Reality and Prospects for Development – Country Experiences," Hassiba Ben Bouali University, Chlef, December 3-4, 2012, p. 7.

41. Karim Zerman, *An Analytical and Predictive Study of Loss Ratios in Insurance Companies: A Case Study of the Algerian Comprehensive Insurance Company (CAAT) in Constantine Since 1995*, PhD Dissertation in Applied Economics, Faculty of Economic, Commercial and Management Sciences, Mohamed Khider University of Biskra, 2014/2015, p. 61.

42. Louberge Henri, *Assurances et Activité Economique*, DALLOZ Publications, Paris, 1985, p. 79.

$$\begin{aligned} \text{Value Added by Insurance} &= \\ &\text{Gross Revenue} - (\text{Settlement of Damages} \\ &+ \text{Increase in Technical Reserves} \\ &+ \text{Purchases of Intermediate Goods and Services}) \\ \text{Gross Revenue} &= \\ &\text{Premiums Collected (Encaisse's) during the period} \\ &+ \text{Financial Products} \end{aligned}$$

This formula highlights how the value generated by the insurance industry is determined by subtracting the costs associated with claims settlements, reserves, and purchases from the total revenue generated by the insurance operations.

2. THE STRUCTURE AND INSURANCE MARKET IN ALGERIA

The insurance industry has become an essential service in modern economies. Many countries have made certain types of insurance mandatory, and failure to comply is considered a legal violation. Insurance premiums represent an important source for mobilizing savings and investing them in economic development. The insurance industry plays a vital role in supporting economic growth, capital formation, and financial intermediation, thereby backing investment projects through risk management in commercial and economic activities. Additionally, insurance serves as a support tool for government social insurance programs, which helps mitigate the financial crises affecting financial markets and productive sectors.

Insurance companies are influenced by competition, consumer needs, and their behavior toward insurance products. To manage these risks, insurance companies conduct studies of the insurance demand market, offering competitive premiums, new products, and using various distribution channels. Below is an overview of the structure of the Algerian insurance market.

2.1. Historical Overview of the Insurance Sector in Algeria

Algeria was introduced to the concept of insurance during French colonial rule, and after independence, the same system was adopted. In subsequent years, several laws and regulations were enacted to transition to a market economy. In January 1995, a new insurance law

was introduced under Order No. 95-07, which liberalized the insurance market. This allowed private national and foreign capital to enter the Algerian insurance market, breaking the state monopoly that had been in place since 1966. The law also opened up competition and allowed the re-establishment of international insurance companies.

With this new law, insurance companies in Algeria could now operate as either joint-stock companies (SPA) or cooperatives. New entities, such as brokers and agents, were also introduced, with brokers accredited by the Ministry of Finance and agents licensed by insurance companies. Since 1997, many private foreign companies with extensive expertise in various branches of insurance began operating in Algeria. These companies offer a wide range of commercial insurance products, including life, transport, installation risks, fire, automobiles, and reinsurance. The state oversees the market and ensures its regulation and development through several supervisory bodies, which include:

A) The National Insurance Council (CNA)

Established on January 25, 1995, under Order No. 95-07, the CNA is an advisory body with public authority in the insurance field. It is responsible for regulating the market, determining insurance premiums, and overseeing the market players. The National Insurance Council is chaired by the Minister of Finance and includes representatives from various sectors of the insurance industry, including policyholders, insurance intermediaries, agents, brokers, insurers, public authorities, and sector employees.⁴³

B) The Insurance Supervision Committee

Established under Law No. 06-04 dated February 20, 2006, this committee allows the state to supervise the insurance market. It operates as a regulatory body within the Ministry of Finance, ensuring that insurance companies and intermediaries comply with the legal and regulatory provisions related to insurance and reinsurance. If the committee finds that the interests of policyholders or beneficiaries are compromised, it can reduce the

43. National Council for Insurance Website: www.cna.dz.

activities of an insurance company in one or more branches of insurance.⁴⁴

C) The Guarantee Fund for Policyholders

This fund partially or fully covers the liabilities of insurance companies to policyholders and beneficiaries. The fund is financed through annual contributions from insurance and reinsurance companies, as well as branches of accredited foreign companies. These contributions do not exceed 1% of the net premiums issued, excluding cancellations.⁴⁵

D) The Central Risk Authority

Located within the Ministry of Finance, this authority is linked to the Directorate of Insurance. Insurance companies and foreign insurance branches are required to provide all necessary information to the Risk Authority to perform its tasks. Executive Decree No. 07-138 defines the role of this body, which focuses on gathering and centralizing information on all insurance contracts underwritten by insurance and reinsurance companies and their foreign branches. Insurance companies are also obliged to declare all insurance contracts issued.⁴⁶

E) The Algerian Insurance Federation

This is a professional association that focuses on issues related to policyholders. Membership is restricted to insurance and reinsurance companies. The federation aims to contribute to the development of the industry, the services offered, and to keep up with new trends and modern techniques in the insurance sector.⁴⁷

44. Mouloud Didan, *The Insurance Law According to Its Latest Amendment: Law No. 06-04 Dated February 27, 2006*, Dar Balqis for Publishing, Algeria, 2006, pp. 55-56.

45. Omar Houtia, Abdel Rahman Houtia, *The State of Islamic Insurance Services in Algeria (with reference to Salama Insurance Company)*, First International Conference on Islamic Economics: Reality... and Future Challenges, University of Ghardaia, February 23-24, 2011, pp. 17-18.

46. Sabrineh Sharaka, *The Role of Supervision and Control in the Development of the Insurance Sector in Algeria*, Seminar on Takaful and Conventional Insurance Institutions: Theoretical Foundations and Practical Experience, Farhat Abbas University, Setif, April 25-26, 2011, p. 11.

47. Omar Houtia, Abdel Rahman Houtia, *Op. Cit.*, p. 18.

2.2. Types of Insurance Companies in the National Market

Below is an overview of the major players in the Algerian insurance sector, particularly since the market opened up to private players, bypassing the period of state monopoly on insurance and reinsurance:

A. Public Insurance Companies

Several public insurance companies are active in Algeria, including:

- **Algerian Insurance and Reinsurance Company (CAAR):**

Established on June 8, 1963, CAAR was created to fill the gap left by foreign companies that left Algeria after independence. Initially, it was responsible for overseeing the legal transfer of 10% of premiums from foreign companies to CAAR. After the specialization law of May 1985, CAAR focused on industrial risks after transferring its transport insurance branch to the Algerian Transport Insurance Company (CAAT). After the repeal of the specialization law in 1989, CAAR expanded to offer all types of insurance.⁴⁸ As of the end of 2017, CAAR had a capital of 17 billion Algerian dinars and paid out \$11.62 million in claims.⁴⁹

- **Algerian Comprehensive Insurance Company (CAAT):**

Established by Decree No. 85-82 on April 30, 1985, as part of the restructuring of CAAR, CAAT initially specialized in transport risks. After the repeal of the specialization law, it became a joint-stock company and began offering all types of insurance. By the end of 2017, CAAT's capital had reached 22 billion Algerian dinars, and it paid out over 13 million dinars in claims.⁵⁰

- **Algerian Insurance Company (SAA):**

Founded immediately after independence on December 12, 1963, with a mixed ownership structure (61% local and 39% Egyptian). In 1985, it monopolized the automobile sector, simple risks, and life insurance. After the repeal of the specialization law in 1989, it became a public joint-stock company and expanded its activities to cover all branches of insurance. As of 2017, its capital was 30

48. For more information, see the company's website at: www.caat.dz

49. For more information, please refer to the company's website at: www.caar.dz.

50. For more information, please refer to the company's website at: www.caat.dz.

billion Algerian dinars. SAA is one of the largest insurers in the national market, with high market shares in various insurance products.⁵¹

• **CASH Fuel Insurance Company**

CASH is a joint-stock company established in 1999 to provide insurance services for the fuel sector and other branches. It began its local operations in 2000 with a social capital of 1.8 billion Algerian Dinars, distributed in shares, with 50% held by Sonatrach, 35% by the CAAR company, and 15% by the CCR company. By 2011, its capital increased to 7.8 billion Dinars.⁵²

B. Private Insurance Companies

These companies operate in the national economy as private or mixed-capital institutions and include:

• **Trust Algeria**

Founded on November 18, 1997, as a joint-stock company, Trust Algeria is a mixed Algerian-Bahraini-Qatari company. Bahrain holds a 60% share, Qatar holds 5%, and Algeria's share is divided equally between the Algerian Insurance and Reinsurance Company (CAAR) and the Central Reinsurance Company (CCR), with each holding 17.5%. It was the first private Algerian insurance company. In 2007, Trust International purchased the Algerian shares, raising its total shareholding to 77.5%, while Qatar's stake decreased to 22.5%. This company engages in all types of insurance and reinsurance operations.⁵³

• **International Insurance and Reinsurance Company (CIAR)**

Established on August 5, 1998, CIAR began its operations in 1999. Under Law No. 06-04, issued on February 26, 2006, which separates personal insurance from risk insurance, CIAR created a specialized branch for personal insurance called (MACIRVIE) on July 1, 2011.⁵⁴

51. For more information, please refer to the company's website at: www.saa.dz.

52. For more information, please refer to the company's website at: www.cash-assurance.dz.

53. For more information, please refer to the company's website at: www.trustalgerians.com.

54. For more information, please refer to the company's website at: www.laciar.com.

• **Algerian Insurance Company (2A)**

This company was established under Order No. 95-07 of January 25, 1995, and was licensed in 1998 to handle all types of insurance and reinsurance. Its social capital is 2 billion Dinars, with shares held by Gulf Insurance Group and Spa Neylsar. It employs over 480 workers and operates 166 agencies nationwide.⁵⁵

• **General Mediterranean Insurance Company (GAM Assurance)**

Founded on September 25, 2001, as a joint-stock company, GAM Assurance was fully acquired by the American investment group ECP in 2007. It operates three regional offices and 221 commercial agencies. Its social capital is 2.74 billion Dinars, and it covers all types of insurance operations.⁵⁶

• **Alliance Assurance**

This company was established under Order No. 95-07, dated January 25, 1995, which authorized the creation of private insurance companies. It was licensed by the Ministry of Finance in 2005 to conduct insurance and reinsurance activities. Its social capital amounts to 5 billion Dinars, distributed across 263 local branches, and employs about 425 people.⁵⁷

• **Salama Assurance**

Salama Assurance was licensed by the Ministry of Finance on March 26, 2000, replacing the Al Baraka and Aman insurance companies after joining the Salama Islamic Group. It has a social capital of 2 billion Dinars and operates 206 branches nationwide. The company provides a variety of insurance services that comply with Islamic law, offering products such as vehicle takaful, general takaful (covering fire, property, and health insurance), and medical takaful in the form of healthcare programs.⁵⁸

55. For more information, please refer to the company's website at: www.2a.dz.

56. For more information, please refer to the company's website at: www.gamassurances.com.

57. For more information, please refer to the company's website at: www.allianceassurances.com.dz

58. For more information, please refer to the company's website at: www.salama-assurances.dz.

- **CARDIF DJAZAIR Insurance Company**

Established in 2006, CARDIF DJAZAIR specializes in credit risk insurance and savings deposit insurance. It operates through 300 local branches and offers various other insurance products.⁵⁹

C. Specialized Insurance Companies and Reinsurance Companies

This category includes several companies specializing in specific sectors:

- **Algerian Export Guarantee Company (CAGEX)**

Founded under Decision No. 96-06 on January 10, 1996, CAGEX provides insurance for export credit in the form of a joint-stock company. Its social capital is 2 billion Dinars, distributed equally among its partners, including several banks (BNA, BEA, BADR, BDL, CPA), the Algerian Insurance and Reinsurance Company (CAAR), the Algerian General Insurance Company (SAA), the Algerian Comprehensive Insurance Company (CAAT), the Algerian Reinsurance Company (CCR), and the Regional Fund for Agricultural Cooperation (CNMA).⁶⁰

- **Real Estate Loan Guarantee Company (SGCI)**

SGCI was established on October 5, 1997, as a joint-stock company with a social capital of 1 billion Dinars. It specializes in guaranteeing banks and financial institutions against the default or insolvency of borrowers who take out loans to purchase real estate. Its shares are distributed among several entities, including public treasury, CNEP, CPA, BNA, BEA, BADR, CAAR, CAAT, and CCR.⁶¹

- **Small and Medium Enterprises Investment Guarantee Fund (CGCI)**

Created under Decision No. 04-134 on April 19, 2004, CGCI is a national fund for guaranteeing loans to small and medium enterprises (SMEs). Its social capital is 20 billion Dinars, with

59. For more information, please refer to the company's website at: www.cardifeldjazair.dz.

60. For more information, please refer to the company's website at: www.cagex.dz.

61. For more information, please refer to the company's website at: www.sgci.dz.

60% contributed by the public treasury and 40% by various banks (BNA, BEA, CPA, CNEP). In 2011, it was authorized to provide guarantees for agricultural loans.⁶²

• **Central Reinsurance Company (CCR)**

Established under Decision No. 54-73 on October 1, 1973, and amended on April 30, 1985, CCR has a social capital of 2.2 billion Dinars. Its insurance operations include providing various types of insurance and ensuring financial stability through compensation returns, as well as linking the domestic insurance market with international markets.⁶³

D. Mutuels and Cooperatives (Mutuelle)

The following mutuels are included:

• **National Fund for Agricultural Cooperation (CNMA)**

Originally created in 1901 to provide loans to farmers, CNMA became a national fund in 1972. It has a social capital of 758 million Dinars and employs around 2,297 workers across 407 local offices. It currently offers a wide range of insurance products.⁶⁴

• **Algerian Mutual Insurance for Education and Culture Workers (MAATEC)**

Founded on December 16, 1964, MAATEC's mission is to provide compensation for damages using contributions from members' premiums and investment returns. It operates 26 local branches and offers most insurance products to educational workers.⁶⁵

Please refer to Appendix No. (01) for the ranking of Algerian insurance companies based on their turnover for the year 2016.

2.3. Stakeholders and Functions of Insurance Companies

The circle of parties involved in the conclusion of an insurance contract often extends beyond the two contracting parties to include other stakeholders. These parties comprise both the providers of

62. For more information, please refer to the company's website at: www.cgei.dz.

63. For more information, please refer to the company's website at: www.ccr.dz.

64. For more information, please refer to the company's website at: www.cnma.dz

65. For more information, please refer to the company's website at: www.maatec.dz.

insurance services and the consumers. The first group includes insurance companies and intermediaries, while the second group consists of the policyholder, the insured, the beneficiary, and the victim.

A. Providers of Insurance Services

It is important to distinguish between the insurance companies, which are the parties to the insurance contract, and insurance intermediaries, who are responsible for distributing the services of these companies to the public:

- **Insurance Companies:** These companies typically take the form of joint-stock companies that invest insurance premiums in exchange for financial returns. There are also insurance syndicates or institutions like Lloyd's of London (LLOYD'S), which aim to make a profit without directly entering into contracts or receiving premiums or paying compensations. Instead, individuals bear the responsibility of underwriting a portion of the risk based on their capacity to bear it, through a broker and without joint liability.
- **Mutual Insurance Bodies:** These institutions do not seek profit but focus on providing insurance services to members at the lowest cost by pooling individuals exposed to similar risks.
- **Cooperative Insurance Associations:** These associations undertake activities beyond insurance, focusing on cooperation among members.
- **Private Insurance Funds:** These are created for purely social purposes, such as covering specific social risks, particularly in cases of death, income loss, retirement, or illness. They collect savings from members and limit their insurance activities to personal insurance only.
- **Government Insurance Bodies:** These intervene in the insurance market when commercial insurance companies are unwilling or unable to provide coverage for certain types of insurance or specific risks.⁶⁶
- **Insurance Intermediaries:** Insurance intermediaries do not purchase services for resale, as no transfer of ownership occurs.

66. Karim Zerman, *Op. Cit.*, pp. 62-64.

Their primary role is to facilitate the conclusion of insurance contracts. The main categories of intermediaries include agents and brokers:⁶⁷

- **Insurance Agents:** They serve as the link between the insurance company and the public, acting as distribution channels for insurance products. Agents can be either commissioned representatives, agents with a mandate, or independent/non-independent agents.
- **Brokers:** Brokers do not have the authority to conclude insurance contracts on behalf of insurance companies. Their role is to seek potential clients and present their requests to a specific insurer. The broker then facilitates the delivery of the policy to the client. Additionally, insurance brokers are tasked with analyzing and evaluating the insurance risks that clients might face, conducting market studies, and sometimes providing independent opinions on the performance of insurers. They also analyze financial flows related to premiums, handle claims settlements, and offer services in actuarial mathematics and damage claims management.

B. Consumers of Insurance Services

The group of consumers of insurance services includes the following:

- **Policyholders:** The policyholder is the party that enters into the insurance contract and is legally obligated to pay the premiums.
- **The Insured:** This is the individual or entity covered by the insurance, who faces the risk of harm either personally or financially.
- **The Beneficiary:** In cases where the insured event involves death, the beneficiary (such as heirs, children, or designated individuals) will receive the compensation, rather than the insured themselves.
- **Victim in Liability Insurance:** In liability insurance, the policyholder or the victim (who is the third-party beneficiary) is often not known when the contract is underwritten. In such cases, compensation is paid to a third party (the victim).

67. Idem.

C. Functions of Insurance Companies

Insurance companies perform a wide range of functions, some of which are critical to their operations:

- **Pricing Function:** This function involves determining insurance premiums, which is done by an actuary. The actuary uses statistics related to birth rates, death rates, diseases, accidents, and other data from official bodies. Based on these statistics, the actuary sets insurance prices that are proportional to the likelihood of risk occurrence, the premium amount, and actuarial interest rates.⁶⁸
- **Underwriting Function:** Underwriting refers to the process of selecting and approving insurance applications. The company aims to assemble a portfolio of insurance contracts that are expected to yield profits, while rejecting applications that are likely to lead to losses. The company issues a guide outlining the types of insurance it accepts, the risks it covers, and the geographical areas it operates in.⁶⁹
- **Production Function:** In insurance, the production function refers to all the sales and marketing activities carried out by the insurance companies, their agents, and representatives. These activities involve selling insurance products, as well as post-sales services such as client follow-up, updating policies, and providing ongoing customer support.
- **Claims Settlement Function:** Insurance companies are obligated to pay the insured or the beneficiary the insurance amount or compensation when damage occurs. The compensation period is determined by the claims settlement process. The claims adjuster is responsible for verifying the claim, ensuring fairness, and processing claims quickly while assisting policyholders.⁷⁰
- **Reinsurance Function:** Reinsurance is the distribution of risk among multiple insurance companies, making the risk insurable. Multiple insurers share the responsibility of covering a single

68. Osama Azmi Salam, Shukri Nouri Moussa, *Risk Management and Insurance*, Dar Hamid for Publishing and Distribution, 1st Edition, Amman, 2007, p. 157.

69. Ibid, pp. 64-66.

70. Ibid, pp. 158-159.

insurance policy,⁷¹ and it is crucial that full trust exists between the insurance company and the reinsurer. The insured does not have any claim against the reinsurer, as the insurance company remains fully responsible to the policyholder. Reinsurance is often used to mitigate the uncertainty of potential losses and to avoid fluctuations in claims costs due to economic or social conditions, as well as natural disasters or other significant events. Additionally, it allows the insurer to increase its capacity to accept larger risks than it could handle on its own.⁷²

3. ANALYSIS OF THE ROLE OF INSURANCE IN THE NATIONAL ECONOMY

Like other vital sectors, the insurance sector has undergone a series of reforms driven by economic policies and the changing economic environment. Following independence, the sector initially adopted the French system. In 1963, with the issuance of Decision No. 36-201 dated June 8, 1963, requirements were imposed on foreign companies in the insurance sector. This led to the creation of several Algerian companies, such as the Algerian Insurance Company (SAA) and the National Insurance and Reinsurance Fund (CAAR). Subsequently, the sector moved into a phase of state monopoly over insurance and reinsurance with the issuance of Decision N°. 66-127 dated May 27, 1966. During this period, several specialized Algerian insurance companies were created, as mentioned earlier. The sector then entered the phase of the liberalization of the state monopoly with the issuance of Order No. 95-07 dated January 25, 1995, which opened the door for private companies to enter the insurance market. This was followed by another law on February 20, 2006, which mandated the separation of personal insurance from property insurance.⁷³ The following sections will analyze the role of insurance in the national economy through the following points:

71. Ibid, pp. 161-163.

72. Mohamed El-Fioumi, *Accounting Information Systems in Financial Institutions*, Dar al-Jami'ah, Beirut, 1990, p. 769.

73. Mustapha Benay, *Op. Cit.*, p. 97.

3.1. Production of the Algerian Insurance Market

The insurance market is composed of several sub-markets offering various insurance services. These markets vary in size, with some being larger (e.g., insurance for large industrial establishments) and others smaller (e.g., vehicle insurance or life insurance). Like other markets, demand for insurance services is influenced by the likelihood of risk, income elasticity, insurance pricing, and its mandatory nature. Insurance companies tend to expand their operations by offering attractive premiums and introducing new types of insurance contracts. The analysis of the insurance market requires addressing the evolution of the national insurance supply structure.

• **Analysis of the Production Side of the Insurance Sector:**

The insurance sector plays a significant role in financing the national economy. It is an essential factor in achieving economic development, promoting exports, facilitating credit, and even controlling inflation. Below is **Table 02**, showing the evolution of the insurance sector’s output during the first quarter of 2018.

Table 02: Evolution of the Insurance Sector’s Output for the First Quarter of 2018

Turnover	Insurance Market Density	Growth Compared to 2017
Property Insurance	35,341,241,487 DZD	89.8%
Personal Insurance	3,281,599,510 DZD	8.3%
Total Local Market	38,622,840,997 DZD	98.1%
Foreign Insurance	746,921,426 DZD	1.9%
Total National Insurance Market	39,369,762,423 DZD	100%

Source: Conseil National des Assurances, *Le Secteur Algérien des Assurances: Notes Statistiques*, Publications du CNA, Algiers, 2015, p. 03.

The insurance market in Algeria has witnessed significant growth between the year 2000 and the present day. Its annual turnover continued to rise, reaching 19.5 billion Dinars in 2000, then increasing to 81.3 billion Dinars in 2010 and further growing to 131 billion Dinars by 2015. The table below illustrates the development of the structure of the Algerian insurance market, highlighting its expansion. As an example, it is evident

that the market density in Algeria is shifting towards loss insurance, with nearly 100% of the market share, compared to life insurance, as Algerian legislation differentiates between these two types of insurance.

Table 03: Insurance Penetration Rate by Economic Sectors

Economic Sector	2013	2014	2015
Non-Agricultural Enterprises Sector	52,767	61,325	59,452
Agricultural Sector	2,786	3,269	3,757
Total Economic Sector	55,553	64,594	63,209
Household Sector	59,553	61,391	65,909
Total Domestic Market	115,107	125,985	129,118
Imports/Exports Sector	1,323	1,521	2,133
Total National Insurance Market	116,430	127,506	131,252

Source: Conseil National des Assurances, Op.Cit., P. 06.

From the previous table, we can observe the continued development of the insurance market across various sectors. The household insurance sector has seen a notable recovery since the beginning of the millennium, with recent growth, indicating the evolution of insurance products offered to this category. Similarly, the agricultural enterprises sector has also experienced significant growth, thanks to the government's policies aimed at developing this sector and the set of mechanisms intended to support it.

3.2. The Role and Contribution of Insurance to National Economic Indicators

There are numerous active insurance companies in the national market, as mentioned previously. The most dominant companies in the Algerian insurance market include the National Insurance Company (SAA), the Algerian Transport Insurance Company (CAAT), the Algerian Insurance and Reinsurance Company (CAAR), the National Agricultural Mutual Fund (CNMA), and CASH Insurance Company. By the end of 2017, SAA achieved profits estimated at 3.25 billion Dinars, equivalent to 28.37 million US dollars, reflecting a significant increase of 4.8% compared to 2016.⁷⁴ This makes SAA the leading company nationally.

74. Kamal Rezeig, Mohamed Lamine Marrakchi, *Op. Cit.*, p. 9.

The Algerian insurance sector ranks 69th globally in terms of its share in the world insurance market, with a market share of 0.02%. The sector contributes only 1% to national economic growth, despite being classified among the growing sectors globally, as the national insurance market grew by 6% by the end of 2017.⁷⁵

Additionally, it can be said that insurance has become a prominent tool for mobilizing domestic savings alongside other financing means. It is crucial for the relevant authorities to work on enhancing insurance awareness among individuals and institutions. This only requires a strong political will, much like other adopted practices (such as wearing a seatbelt in a car or using electronic payment cards instead of cash). This is because the insurance sector is closely related to national economic and social changes. Furthermore, the government's efforts to open and privatize the insurance market have provided a significant boost to the insurance process. This highlights the need for further development of the sector, with management based on international accreditation standards.

3.3. The Insurance Sector under Economic Reforms

After gaining independence, Algeria followed a socialist model focusing on heavy industries, reducing reliance on foreign investment and imports, and depending on centralized economic planning and public institutions to provide most services. With Algeria entering the stage of economic reforms, it became necessary to reorganize the insurance sector, which underwent a revolutionary reform by opening the insurance market following the law of January 25, 1995. This opened new horizons for insurance competition and provided a strong push for improving services offered by such companies. These reforms affected various aspects, including:

A. Legal Reforms: The sector saw the establishment of the National Insurance Council (CNA) on October 20, 1995, to monitor and guide the insurance market, improving the general conditions for the operation of insurance and reinsurance companies. Moreover, insurance brokers were reinstated by allowing companies to open their own agencies and deal with insurance

75. Atlas Conseil International, *Atlas Magazine: The Insurance News in Africa and the Middle East*, Issue 54, Tunis, October 2018, p. 26.

intermediaries. The list of mandatory insurance types was reduced, opening the door for freedom of contract. In 2006, Law No. 06-04 of February 20, 2006, was issued, which aimed to diversify insurance products and reorganize the regulatory body by creating an independent committee to oversee the sector.⁷⁶ In May 2007, the distribution conditions for insurance products through banks and financial institutions were defined. In 2008, the Ministry of Finance set the maximum contribution percentage for any public or private bank in the capital of insurance and reinsurance companies at 15%.

B. Economic Reforms: The economic reforms adopted by Algeria since the early 1990s included opening the market for private sector participation and attracting foreign investments to increase the turnover of insurance companies and combat fraud. This included the creation of an insurance branch under the name “ALFA” and the restructuring of the automobile insurance sector within the MEDA program. This restructuring involved recording specific files for drivers and adopting the BONUS-MALUS system, which adjusts premiums based on whether a driver caused an accident. It also established guidelines for the allocation of insurance companies’ reserves, requiring at least 65% to be invested in government bonds, 20% in time deposits, 10% in the real estate market, 15% in the stock market, and 15% in corporate equity.⁷⁷

C. Social Reforms: These reforms included the creation of an unemployment insurance fund, which shifted its role in 2004 to finance small projects under the National Agency for the Support and Employment of Youth (ANSEJ). The insufficient social structures offered by the state, which had been free of charge to reduce public spending and tackle budget deficits, also contributed to improving insurance activities, particularly life insurance.⁷⁸

76. For more details about the national insurance market, please refer to: Sigma Insurance Research, *World Insurance in 2017: Solid, but Mature Life Markets Weigh on Growth*, Swiss Re Institute, Zurich, 2017.

77. Mustapha Benay, *Op. Cit.*, p. 138.

78. Ibrahim Zrouqi, Abdel Majid Badri, *Op. Cit.*, p. 11.

SELF-ASSESSMENT QUESTIONS FOR CHAPTER TWO

Question 1: Which of the following is considered a free insurance activity?

- A) Cooperative insurance companies
- B) Mutual insurance organizations
- C) Insurance brokers
- D) National Insurance Council

Question 2: The National Insurance Council is one of the regulatory bodies overseeing insurance companies. Which of the following is one of its responsibilities?

- A) Issuing licenses for insurance brokers
- B) Selling insurance policies to clients
- C) Investing insurance premiums collected by insurance companies
- D) Qualifying insurance companies

Question 3: Which authority is responsible for granting licenses to actuaries?

- A) National Insurance Council
- B) Ministry of Finance
- C) Chamber of Commerce
- D) Insurance Dispute Resolution Committees

Question 4: The investment allocation ratios for insurance companies' reserves are as follows:

- A) At least 65% in government bonds
- B) At least 65% in the real estate market

- C) At least 65% in time deposits
- D) At least 65% in the stock market

Question 5: The BONUS-MALUS system is one of the insurance systems that:

- A) Reduces the premium for the person responsible for the accident
- B) Reduces or increases the premium based on accident involvement
- C) Increases the premium for the person responsible for the accident
- D) Creates a win-win relationship between the insurer and the insured

Question 6: A consumer of insurance services includes:

- A) The insured parties
- D) The beneficiaries of insurance
- C) Victims of civil liability
- D) All of the above

Activity 1: Review the latest statistical report from the National Insurance Council, analyze the data, and compare it with the reality of the national economy. How does insurance impact the vital economic variables in Algeria?

Activity 2: Create a technical card for one public insurance company and one private insurance company, and compare their roles and functions.

Activity 3: Visit the National Insurance Council's website, explore its main functions, and identify the key changes made to its internal system.

CHAPTER THREE
INTRODUCTION TO INSURANCE PRODUCTS

INTRODUCTION

A product is what a customer receives in the process of purchasing or engaging in a market exchange. Without products, a company has nothing to price, promote, or distribute to its customers, who are constantly seeking products that meet their needs and desires. Products can be classified into commercial products and consumer products, which can take the form of goods, services, or ideas, depending on the nature and characteristics of the product. Insurance companies refer to their offerings as insurance products rather than insurance services, as a product is often more tangible than a service. Insurance companies strive to make the benefits of insurance more concrete and clear.

The process of insurance involves several stages before it becomes valid. Insurance can be viewed as a contract with two parties: the insured, who pays premiums in exchange for an insurance policy covering certain risks, and the insurer, who promises to pay compensation in the event the risk materializes. The premiums can also serve as a savings mechanism, particularly in life insurance. A third party may also be involved – the beneficiary – who receives the compensation. It is not necessary for the insured person to be the one to receive the compensation. An insurance contract must meet certain conditions, such as specifying the premium, the sum insured, the subject of insurance, and the value of compensation. Furthermore, the insured may opt for reinsurance in cases of large investments or significant risks.

1. DEFINITION AND CHARACTERISTICS OF INSURANCE PRODUCTS

Individuals face many risks that can have a direct impact on them, such as the risk of premature death, disability from illness or accidents, or damage to property from hazards like fire or theft. Additionally, individuals face liability risks related to the injury or damage of others' property. Even if an individual desires to prepare financially for the economic consequences of these risks, insurance is often the only way to do so.

Insurance companies offer a wide variety of insurance policies to cover different types of risks. These policies include life insurance, property and casualty insurance, liability insurance, and others. Insurance companies issue policies based on the specific risks to be covered, such as fire insurance, transport insurance (land, sea, air, and cargo), motor insurance, accident insurance, and liability insurance, among others.

1.1. Definition of Insurance Products

Insurance companies are key players in the insurance market, providing services to various economic sectors by offering a range of products designed to meet the insurance needs of individuals, businesses, and other entities. An insurance product can be defined as: "A combination of tangible and intangible benefits contained within an insurance policy, aimed at satisfying the needs and desires of policyholders, as well as the services associated with it."⁷⁹ To align with modern marketing trends, an insurance product must meet customer needs, expectations, and the competitive dynamics of both local and international markets, especially within the context of open markets and global trade agreements concerning insurance products related to export and import.

79. Nadia Amin Mohamed Ali, *Insurance Services Marketing in Upper Egypt, Arab Republic of Egypt: A Field Study*, Master's Thesis, Faculty of Commerce, Assiut University, 1984, p. 109.

1.2. Characteristics of Insurance Products

Insurance products have several defining characteristics that set them apart from other types of products. They are not limited by expiration dates, unlike other products that have a set period of validity. They also cannot be classified as services since they are not bound by a specific time frame, such as the timing of a flight or other time-dependent services. The main characteristics of insurance products are as follows:

◦ **Variety of Products:**

One of the notable features of insurance products is their variety. They are designed to meet the insurance needs of various individuals, regardless of the type of risk involved. Insurance companies develop these products to cover a wide range of risks.

◦ **Standardized Products:**

Insurance products are standardized in that they are similar across various insurance markets. This standardization occurs because experts in the insurance industry design them based on the risks individuals and companies may face.

◦ **Flexibility:**

Insurance products are flexible, allowing policyholders to choose coverage options that best suit their needs and the risks they face. They can also add additional coverage if necessary.

◦ **Licensed Products:**

Insurance companies must have all of their products licensed before offering them to the market. Regulatory bodies overseeing the insurance industry must be aware of the types of products being offered.

◦ **Cooperative Products:**

Some insurance products follow a cooperative model, such as credit and insurance cooperatives, which are typically government-backed.

◦ **Technology-Driven Products:**

Insurance products must be up to date with the latest technological advancements. Most insurance companies now maintain online platforms to introduce and promote their products, which is an essential and necessary step.

2. CLASSIFICATION OF INSURANCE PRODUCTS

Insurance companies offer various products or insurance services, which can be detailed as follows:

2.1. Motor Insurance Products:

These products require vehicle owners to subscribe to liability insurance covering both material and moral damages that may result from accidents, such as collision damage, broken glass, theft, and fire or explosion. Insurance companies also provide coverage for the insured's civil liability in the event that they are sued for damages.⁸⁰

2.2. Transport Insurance Products:

Transport insurance provides protection against physical damage to transport vehicles, goods, and commodities while in transit, covering risks such as theft, fire, or damage during loading, unloading, or transportation. This category includes land, sea, and air transport insurance, as well as cargo insurance.⁸¹

2.3. General Risk Insurance Products:

These products cover the primary risks faced by the insured, such as fire, explosion, theft, and occupational hazards. They are divided into basic risk insurance products, which cover common losses like fire and water damage, as well as industrial risk insurance, which includes more complex risks such as machinery breakdowns and explosions.

2.4. Agricultural and Livestock Insurance Products:

These products are designed to compensate for losses resulting from damage to agricultural crops due to natural disasters or accidents. They also cover the loss of livestock due to natural death, accidents, or diseases.⁸²

80. Benay Mustafa, Op. Cit., pp. 154-155.

81. Ibrahim Ali Ibrahim Abdel-Rabih, *Introduction to Commercial Insurance*, Faculty of Commerce Publications, Alexandria University, 2009, pp. 60-61.

82. Abdel-Hadi El-Sayed Mohamed Taqi Al-Hakim, *The Insurance Contract*, Al-Halabi Legal Publications, Beirut, 2003, p. 182.

2.5. Loan Insurance Products:

These products are divided into domestic loan insurance, which is a form of banking finance that helps lenders cover the commercial and non-commercial risks associated with local loans. There are also export loan insurance products, which act as financial tools to cover risks related to export financing and facilitate trade between domestic buyers and foreign sellers.⁸³

2.6. International Approval Products (Reinsurance):

These products cover reinsurance operations, both local and international, provided by insurance companies.

2.7. Natural Disaster Insurance Products:

These products cover property, vehicles, and industrial and commercial assets, providing compensation for damage caused by natural disasters like earthquakes, floods, fires, and others.

2.8. Personal Insurance Products:

This category includes a wide range of products that provide coverage for death, life insurance, mixed insurance products that provide a lump sum or annuity to the beneficiary in case of the policyholder's death, as well as supplementary insurance products that offer protection against illness, disability, unemployment, and similar risks.⁸⁴

2.9. Takaful Insurance Products:

Takaful insurance is defined as a cooperative agreement among a group of participants who pool their resources to cover losses arising from specific risks. The pool of funds is used to assist members against certain types of losses and damages. It also refers to an agreement among individuals facing similar risks to mitigate the damage by contributing to a shared insurance fund. One of the principles of Takaful insurance is avoiding uncertainty and gambling, both of which are present in conventional insurance.

83. Said Wasef, *Loan Insurance System in Exportation*, Institute of Economic Sciences, University of Algiers, 1997, p. 381.

84. Benay Mustafa, *Op. Cit.*, p. 159.

⁸⁵In conventional insurance, the policyholder is uncertain whether they will receive a payout and the value of the compensation. In contrast, in Takaful, what is paid remains the property of the policyholder unless a claim is made. Excess funds are invested in Sharia-compliant investments, free from interest-based activities.⁸⁶

A - Pure Takaful Products: These products consist of individuals exposed to specific or similar risks, often with equal coverage for their insured properties, although this is not a requirement. The participants insure themselves against these risks, sharing the burden of the covered risks throughout the term of the agreement.

B - Products of Reciprocal Insurance with Advanced Premiums: These are similar to the previous products, except that the individual is required to pay an advanced or prepaid premium. This allows them to compensate those who incur losses from its members without waiting for them to contribute their shares. In contrast, the previous products wait for their members to contribute their shares before compensating the party that has suffered the loss.

C- Products of Private Insurance Funds (Assistance Funds): These consist of individuals who share a common profession or social connection. They agree to form private funds to insure against specified risks, such as death, disability, or retirement. These associations are managed by elected boards from among their members.

3. DISTRIBUTION FOR CHANNELS OF INSURANCE PRODUCTS

Insurance companies aim to deliver their insurance services to clients in order to achieve their goals through the distribution process, which is a critical operation for insurance companies. The service is provided by a group of individuals known as “producers,” relying on various distribution channels, which are as follows:

85. El-Said Bouharawa, *The Juridical Adaptation of Takaful Insurance*, International Conference on Traditional Insurance Companies and Takaful Insurance Institutions: Between Theoretical Foundations and Practical Experience, April 25-26, Setif University, 2011, p. 2.

86. Gharib Al-Jamal, *Commercial Insurance and the Islamic Alternative*, Dar Al-Istisam Publishing, 1st Edition, Cairo, 1977, p. 2.

3.1. General Agent

This is a representative appointed by the insurance company based on an agency contract. The agent is responsible for conducting insurance operations and managing them on behalf of the company, in exchange for commissions on each insurance policy. This commission is a reward for the technical activity carried out at the general agency and is calculated as a percentage of the net premium amount, excluding taxes, provided that this percentage does not exceed the maximum allowed for each type of insurance product.

3.2. Insurance Broker

An individual or entity who acts as an intermediary between insurance seekers and insurance companies, working independently. The broker holds a commercial registration and is subject to the obligations applicable to traders. The broker acts as an agent for the insured and is responsible for them. The broker organizes the risks of their clients and presents them to the insurance companies they consider appropriate⁸⁷ based on the quality of their insurance services.

4. PRICING OF INSURANCE PRODUCTS

Pricing insurance products involves determining the appropriate premium or rate to cover the insurance product. This is a function of production costs, similar to other products. However, insurance pricing differs from pricing other products because insurance companies cannot predict the actual insurance costs in advance. The premium may be insufficient to cover all claims, as the actual losses can only be determined after the insurance policy expires. The actuary is the person who determines the prices of insurance premiums by calculating past losses and relying on statistics for each type of insurance. The cost is also a key factor influencing the pricing of insurance products.

4.1. Costs of Insurance Products

For an insurance product to be profitable, the premiums received by the insurance company, along with returns on investments of these premiums, must exceed the payments made by the company to

87. Maouche Mohamed Al-Amin, *The Role of Technical Activity Supervision in Non-Life Insurance Companies to Enhance Financial Solvency: A Case Study of Algerian Insurance Company 2A*, Master's Thesis, Setif 1 University, 2013/2014, p. 12.

policyholders or beneficiaries. The costs associated with insurance products can be categorized into direct and indirect costs, as shown in the following table:

Moreover, the customer's perception of the value of the insurance product helps determine the price the company can charge for it. The value of the product to the customer is measured by the benefits and features provided, which is referred to as *Price Elasticity*. This measures the percentage change in the quantity demanded of a product in relation to the percentage change in its price.⁸⁸

4.2. Price Elasticity of Demand for Insurance Products

The price elasticity of demand for insurance products varies. For example, products with elastic demand, such as car insurance, exhibit greater price sensitivity compared to products with inelastic demand, such as life or property insurance.

In summary, the following figure shows the pricing methods for insurance products:

Insurance products are priced through various methods: the individual risk rating method (actuarial pricing), where each risk unit is evaluated individually; class rating, where similar risks are grouped and priced together; merit rating, where the price is adjusted based on individual loss experience; tabular pricing, where each risk unit is individually priced based on a base rate; experience rating, where past loss experiences influence the price; and retrospective rating, where the insured's premium is adjusted based on actual losses within a specified minimum and maximum range. If the loss is small, the premium is lower; if the loss is large, the premium is higher.

88. Sharon Allen Peterson, Kevin Hyde, Stephen R. Silver, *Insurance Marketing*, Published by the Life Insurance Management Association (LOMA), Bahrain, 2010, p. 222.

SELF-ASSESSMENT QUESTIONS FOR CHAPTER THREE

Question 1: Which of the following is considered an individual insurance product?

- A) Contractors' Risk in Construction
- B) Factory Insurance
- C) Commercial Vehicle Insurance
- D) Home Insurance

Question 2: Among the products offered by insurance companies, which of the following is included?

- A) Professional Liability Insurance for Doctors
- B) Reinsurance Agreement
- C) Engineers' Equipment Insurance
- D) Private Vehicle Insurance

Question 3: Marine insurance is one of the insurance products that covers:

- A) Travel Insurance
- B) Emergency Illnesses Affecting Sailors
- C) Personal Accident Insurance for Sailors
- D) Cargo Insurance during Transit

Question 4: Fidelity Insurance compensates the insured in the case of:

- A) Embezzlement of funds by an employee
- B) Robbery during the transportation of funds to a bank
- C) Damage to the insured's safe
- D) Theft of warehouse contents

Question 5: Contractors' risk insurance is considered one of the insurance products that cover:

- A) Vehicle Insurance
- B) Health Insurance
- C) Property Insurance
- D) Engineering Insurance

Question 6: Among the additional coverage options for vehicle insurance is:

- A) Medical Insurance for the Driver
- B) Professional Liability Insurance for the Driver
- C) Personal Accident Insurance for the Driver
- D) Home Insurance for the Driver

Question 7: Damage to medical equipment can be covered under:

- A) Vehicle Insurance
- B) Professional Liability for Doctors
- C) Medical Equipment Malfunction Insurance
- D) Medical Equipment Insurance

Question 8: Among the main coverages for air transport risks is:

- A) Illnesses affecting pilots
- B) Damage to aircraft equipment
- C) Damage to pilots' residences
- D) Damage to pilots' vehicles

Question 9: To claim compensation for spoilage of refrigeration stock, the insurance products that must be adopted include:

- A) Fire Insurance
- B) Factory Insurance
- C) Workers' Insurance
- D) Machinery Breakdown Insurance

Question 10: Insurance products can be priced through:

- A) Determining the costs of potential risks
- B) Price Elasticity of Products
- C) Competitiveness of the Insurance Sector
- D) Price Sensitivity of Insurance Demand

CHAPTER FOUR
CLASSIFICATION OF INSURANCE PRODUCTS
IN THE ALGERIAN MARKET

INTRODUCTION

The Algerian insurance market is considered dynamic and emerging, largely due to the diversity of insurance products offered by companies. This diversity became even more pronounced when Algeria adopted a policy of full market openness to foreign investment, which in turn led to the introduction of parallel insurance products in the market, thus encouraging investment in this sector.

Insurance products in Algeria can be classified into several categories, such as property insurance, life insurance, and others. When a client decides to purchase a specific insurance product, the primary motivation for this choice often relates to the quality of the service offered by that product, which includes a balance between coverage options, pricing, and the reputation of the company offering it. From this perspective, insurance products are assessed based on the benefits or satisfaction the policyholder expects to receive in the event of a loss. Therefore, it is crucial for insurance companies to manage and market their products effectively, focusing on how well they control their marketing mix and specialize in certain products over others. This is particularly significant in Algeria, especially after the repeal of the law on specialization in insurance, which allowed companies to diversify their insurance offerings.

1. CLASSIFICATION OF ALGERIAN INSURANCE PRODUCTS

The National Insurance Council in Algeria has outlined the available insurance products in the market, which are as follows:

1.1. Property and Personal Activity Insurance Products

This category includes two main types of insurance services: insurance against property damage (Multirisques Habitations) and automobile insurance (Assurance Automobile), as detailed below:

a. Property Damage Insurance Products: These products cover risks such as fire, water leaks, and explosions that may cause damage to residential buildings, furniture, or electrical appliances. They also provide coverage for third-party liability in case of damage to neighbors or the surrounding area. These products ensure compensation for damages related to explosions, electrical failures, water leaks, flooding, theft, and glass breakage (e.g., windows and doors). Additionally, they cover civil liability in case of partial or total loss of a rental property or the accidental dropping of heavy objects from a balcony.

b. Automobile Insurance Products: Based on the mandatory insurance law for vehicles in Algeria, introduced on January 30, 1974, which is the first legal text requiring vehicle insurance, Article 1 of this law states: “Insurance is mandatory for all motorized vehicles that travel on public roads, regardless of whether they have two, three, or more wheels, as well as for semi-trailers.”

Automobile insurance products cover various risks, including liability for bodily injury and property damage to third parties. Vehicle owners are required to have insurance for potential physical or material damage caused to others, whether the vehicle

is in motion or stationary. Other coverage includes vehicle damage, theft, fire, and glass breakage, as well as coverage for passengers in the vehicle.⁸⁹

1.2. Personal Insurance Products

Algerian law provides a range of personal insurance products covering various risks, including:

a. Travel and Accompaniment Insurance Products: These products cover accidents and risks that travelers may face during their journeys, whether short- or long-term. Coverage includes medical care in case of illness or disability, repatriation to the country of origin for treatment, and funeral expenses in the event of death. These products also cover expenses in case of lost funds, medical treatments in the host country, and travel costs in case of a relative's death.

b. Retirement Insurance Products: These products allow individuals over the age of 60 to receive retirement benefits, as well as a capital benefit in case of death, which is the sum of accumulated retirement contributions that are then given to the policyholder's beneficiaries or heirs.

c. Personal Accident Insurance Products: These products provide compensation in the event of accidents affecting the policyholder, their family members, or dependents. This includes coverage for death, disability, illness, medical errors, road accidents, theft, animal bites, and other related risks. Compensation also covers medical, surgical, and pharmaceutical expenses.

1.3. Occupational Risk Insurance Products

These insurance products are designed for professionals, including craftsmen, traders, and employees. They provide coverage for risks related to the workplace, including damages to work premises and liability for third-party harm. These products cover various risks such as fire, water leakage, theft, and damage to professional equipment, including medical devices, machinery, and computers, whether the

89. Conseil National des Assurances, *Insurance Products, Multi-Risk Home Insurance*, CNA, available at: www.cna.dz.

premises are owned or rented by the insured. Additionally, they provide coverage for clients present on the premises during the event of an accident.⁹⁰

1.4. Other Risk Insurance Products

This category includes insurance for operational losses, fire risks, machinery breakdown during installation, errors by contractors, engineering mistakes, agricultural risks, livestock mortality for farmers, and export insurance. The latter covers commercial risks, debtor insolvency, and political risks that may disrupt transactions.

1.5. Compulsory Insurance Products

These include insurance products that cover a wide range of activities, such as:

- Mandatory insurance for industrial enterprises, small and medium-sized businesses, and sports activities (including sports clubs and fitness centers).
- Insurance for public venues like hotels, schools, training centers, and recreational areas.⁹¹
- Insurance related to construction, building permits, and medical liability insurance for healthcare providers like doctors, surgeons, and dentists.

2. MARKETING OF INSURANCE PRODUCTS

Insurance has become one of the most crucial pillars of the national economy, offering benefits that protect individuals, businesses, and society as a whole. It serves as a tool to distribute risk and mitigate the financial burden resulting from losses, thus playing a significant role in safeguarding national wealth.

With the tremendous technological and industrial advancements that have occurred both in Algeria and globally, industrial risks have increased substantially. This has elevated the importance of insurance in compensating for losses and has led to a broadening of insurance services, resulting in diverse coverage options. This diversity often

90. Aqassim Nawal, *The Role of Insurance Activity in Economic Development: A Case Study of Algeria*, Master's Thesis, University of Algiers, 2001/2002, p. 143.

91. Conseil National des Assurances, Op. Cit.

leaves individuals uncertain about how to select the appropriate insurance coverage for their assets, family, or health.

In this context, the role of specialized insurance brokers becomes crucial. These professionals provide advice on available coverage options and help individuals and businesses select the insurance products that best meet their needs. Additionally, brokers assist in navigating the complexities of the insurance market and offer other intermediary services for the benefit of policyholders.

Choosing the right marketing channel is also an essential aspect of insurance companies' strategies. To achieve optimal distribution of their products and maximize premium income, companies select from several available marketing channels:

2.1. Direct Sales System

Under this system, the insurance company directly contacts potential policyholders. It involves the use of various advertising media such as magazines, broadcast media (radio and television), and hiring agents who represent the company to the public. This system is particularly important for newer companies lacking experience and which may have concerns about financial loss due to expansion.⁹²

2.2. General Agencies

Legally, an agent is an individual who represents an insurance company in dealing with policyholders for a fee. The agent's role may include marketing insurance documents on behalf of one or more companies, submitting insurance requests to the head office for the issuance of insurance policies, and sometimes estimating the risk involved in providing coverage.

2.3. Insurance Brokers

Brokers provide independent advice to policyholders and offer guidance on various insurance products. They do not receive direct payment from clients but earn commissions from insurance companies. Brokers are valuable in helping clients choose the right coverage, identifying the best insurance options, and understanding policy terms and claims procedures. In many markets, brokers act as intermediaries for

92. Arab British Academy for Higher Education, *Insurance Services Marketing*, available at: www.abahe.co.uk.

corporate clients and offer services that go beyond just finding suitable insurance products.

2.4. Insurance Representatives (Agents)

The insurance agent is the representative of the company to the client base and thus reflects the image of the company they represent. Therefore, certain conditions must be met for the agent to be able to achieve the company's objectives, such as competence, training, and sufficient knowledge of market conditions and the applicable insurance regulations.

2.5. E-marketing

Technological advancements that are currently taking place are expected to have a significant impact on the structural foundations of various economic sectors, including the insurance sector. Therefore, failure to adapt to these developments, particularly in developing countries, puts local companies at a competitive disadvantage compared to foreign companies that rely on modern technological concepts in their strategies. In this context, we observe a considerable gap in the adoption of e-commerce and the use of the internet for digital marketing between developed and developing countries. Algeria, as a developing country, still lacks the material, human, and technological resources needed to absorb technological developments and modern techniques compared to developed nations.

2.6. Bancassurance (Insurance via Banks)

Bancassurance is a global phenomenon and is one of the key strategies that all insurance markets worldwide are seeking to implement. This strategy aims to increase the volume of insurance premiums and the market share of insurance companies while lowering marketing costs and product prices. This is achieved by leveraging the extensive network of bank branches across the country, making it an alternative distribution channel that complements traditional marketing channels.

The advantages of bancassurance include fostering an insurance culture in society, which ultimately benefits the insurance sector as a whole. Insurance companies, therefore, have a clear interest in forming partnerships with banks to reach a broader client base.

Table: Product Life Cycle of Insurance Products



Source: Fayza Amrouch, “Reality of Marketing Services in Insurance Companies: Case Study of CNMA,” *Master’s Thesis in Economic Sciences, University of Boumerdes, 2007/2008, p.74.*

3. RISKS OF DEVELOPING INSURANCE PRODUCTS

The existence of a market for promoting insurance products is a crucial element for any successful economy. However, in the Algerian economic environment, insurance has not received the same level of attention as other financial institutions like banks. Despite the importance of the insurance industry in protecting individuals and institutions, it can become one of the obstacles to economic development if neglected. The risks associated with the development of insurance products are particularly crucial as Algeria opens its market and aims to join the World Trade Organization (WTO). This could potentially widen the gap between local and foreign insurance sectors, leading to the outflow of insurance opportunities in foreign currency unless adequate guarantees and locally developed insurance products are in place.⁹³

3.1. Development of Insurance Products

One of the risks associated with developing insurance products involves changes made to an existing product to meet the evolving needs of clients and make the product more marketable in a competitive environment. These changes could affect the coverage of the product, so insurance companies must do the following:

93. Financial Institute, *Op. Cit.*, p. 239.

- Conduct periodic actuarial reviews and obtain actuarial approval before selling new products.
- Ensure new products comply with regulatory requirements and obtain approval from the Ministry of Finance for any product modifications.
- Prepare a report outlining the type of risks and policyholder behavior since the launch of the new product.

The process of developing insurance products involves several stages:

- **Insurance Product Imitation:** Imitating and replicating a successful product from another insurance company, often foreign, which helps companies reduce costs related to research, development, and advertising.
- **Insurance Product Improvement:** Introducing a new version of existing products with significant differences to better meet customer needs.
- **Insurance Product Innovation:** Creating new insurance products that incorporate new methods or technologies, particularly in sectors like renewable energy, where the entry of foreign investors may create demand for specialized coverage.

3.2. Underwriting Risks

Insurance companies face risks during the underwriting process, and they must take the following steps to mitigate these risks:

- Ensure the policyholder has selected the appropriate insurance product.
- Establish strategic controls for departments responsible for underwriting activities, such as the sales department, to ensure that the right products are chosen for the corresponding risks.
- Consider reinsurance if it becomes clear that the selected product does not provide sufficient coverage or if the risk of occurrence is high.⁹⁴

3.3. Pricing Risks

Insurance companies attempt to determine an appropriate premium price for each product. If the company faces pricing risks, the following measures must be taken:

94. Sharon Allen Peterson, Kevin Head, Stephen R. Silver, Op. Cit., p. 199.

- Consider all potential risks using appropriate tools when determining the price of the product.
- Evaluate the potential profits and losses to understand the effects of adjusting premiums or requesting reinsurance.
- Employ actuarial experts to determine the correct pricing for insurance products.⁹⁵

95. Financial Institute, *Op. Cit.*, p. 240.

SELF-ASSESSMENT QUESTIONS FOR CHAPTER FOUR

Question 1: What is meant by the financial solvency of insurance companies?

- A) The inability of the financial manager to fill their position.
- B) Claims exceeding the actual premiums collected by an insurance company.
- C) The ability of companies to meet their obligations to policyholders.
- D) The lack of specialized training programs to raise public awareness.

Question 2: What are some reasons for employee turnover and instability in Algerian insurance companies?

- A) High demand and low supply of insurance workers.
- B) Attractive living conditions abroad.
- C) Lack of incentives within insurance companies.

Question 3: Which of the following is a risk related to the development of insurance products?

- A) Failure to follow actuarial guidelines when selling a new product.
- B) Ensuring that the new product meets regulatory requirements.
- C) Preparing a report on changes in risks and policyholder behavior.
- D) Increasing the price of an insurance product.

Question 4: Which of the following is a measure that insurance companies follow to mitigate underwriting risks?

- A) Not clearly defining policies and terms.
- B) Ignoring the completion of the insurance application by the policyholder.

- C) Ensuring that insurance premiums cover all related costs.
- D) Failing to conduct regular reviews of the adequacy of insurance policies.

Question 5: Which of the following risks affect the performance of insurance companies?

- A) High accident rates.
- B) Wars and political instability.
- C) Floods and natural disasters.
- D) Increasing levels of fraud in the insurance sector.

Activity 1: Conduct a comparative study between an insurance product offered by an Algerian insurance company and one from a foreign insurance company.

Activity 2: Prepare a report on an insurance company's attempt to create a product that covers the risks of a foreign investor in the solar energy sector in the Algerian desert.

Activity 3: Visit a bank to learn about the insurance products it offers. Determine whether insurance is a primary or secondary function within the bank.

CHAPTER FIVE
SOCIAL SECURITY INSURANCE PRODUCTS

INTRODUCTION

The sense of social security and safety is essential for achieving economic development. This sense must be embodied through various mechanisms and distributed through a range of channels that satisfy individuals' need for protection and risk mitigation. Social security insurance is one of the most effective ways to achieve this, as it represents a significant economic gain. However, it continues to face several challenges that prevent the effective implementation of its systems.

One of the major challenges faced by the social insurance sector is its financing, as it cannot achieve financial equilibrium on its own due to increasing expenditures. Social security is one of the means that ensures the fair distribution of wealth, providing insurance protection to various groups unable to afford it on their own, such as the unemployed, the disabled, dependents, or orphans. Social insurance is, therefore, one of the most critical systems that address the risks individuals may face throughout their lives, or for their families in the event of death, disability, loss of income, or other risks. Below, we will examine the scope of social security insurance coverage in the Algerian economy.

1. SCOPE OF SOCIAL SECURITY INSURANCE IN TERMS OF COVERAGE FOR INDIVIDUALS

The social security insurance law has unified its provisions for all workers, regardless of whether they are employed in the public or private sector. The aim of this is to ensure equality among all workers in terms of their insurance benefits.

1.1. Employed Workers and Those Equivalent to Them

- **Employed Workers:** According to Article 3 of Law 83/11, “all workers, whether employed or attached to employees, benefit from the provisions of this law, regardless of the sector of activity to which they belong or the system that was applicable to them before this law came into force.”

Under the provisions of Law 90/11 (dated April 21, 1990, related to labor relations), Article 2 defines employed workers as anyone performing manual or intellectual work in exchange for a salary, under the organization and for the account of a natural or legal person, whether public or private. Thus, an “employed worker” is defined as a person who performs professional activities under the direction, supervision, and guidance of an employer in exchange for remuneration, whether for a limited or indefinite duration.

- **Non-employed Workers:** Article 4 of Law 83/11 stipulates that “natural persons who are not employed but who carry out an independent activity, whether industrial, commercial, artisan, agricultural, or any other similar activity, are entitled to the benefits of social insurance.”

This law applies to traders, artisans, industrialists, and liberal professions such as lawyers, doctors, and dentists, provided they meet the legal requirements to qualify for social insurance benefits.

- **Workers Equivalent to Employed Workers:** This category includes persons who are treated as if they were employed workers and are entitled to all social insurance services. These include:
 - Workers who perform their tasks at home, even if they own all or part of the necessary tools for their work.
 - Individuals employed by private parties, such as domestic workers, caretakers, drivers, and others who provide services at the employer's home or in institutions.
 - Individuals who receive monthly wages equivalent to or higher than half the guaranteed national minimum wage.
 - Artists and performers in theater, cinema, and other entertainment institutions, who receive wages or fees for their artistic work.
 - Fishermen and other workers in certain maritime activities. Additionally, there are specific benefits for certain groups, such as baggage handlers at stations and unpaid parking lot attendants, depending on the situation.
- **Public Sector Employees and Judges:** According to Article 3 of Law 83/11, public sector employees, including civil servants, military personnel, judges, and employees in public institutions, are covered by social security. This includes employees working in central or decentralized public administration.
- **Military Personnel and Civilian Attachés:** Social insurance coverage extends to military personnel and their civilian counterparts, in line with Article 96 of Law 83/11, in accordance with the principle of a unified system.
- **Foreign Workers in Algeria:** Based on the principle of territoriality, all individuals working in Algeria are compulsorily covered by social insurance, regardless of their nationality. This applies to all workers, whether employed by individuals or companies, and regardless of their employment contracts. Social insurance coverage for foreigners depends on their residency status in Algeria, and they are entitled to benefits as long as they maintain legal residency.

1.2. Other Specific Categories

Social security law also applies to other specific groups who are entitled to either in-kind or cash benefits, depending on the nature of their situation.

- **Freedom Fighters and Their Beneficiaries:** Individuals who participated in Algeria's War of Liberation, as well as the beneficiaries of martyrs and war invalids, are entitled to various social insurance benefits. This includes both financial allowances and in-kind benefits.

The provisions extend to the heirs of martyrs, as well as those injured during the revolution and their dependents.

- **Physically or Mentally Disabled Individuals:** Disabled persons who are unable to engage in any professional activity are entitled to in-kind benefits for medical treatment and healthcare. This includes specialized care, vocational rehabilitation, prosthetic devices, and technical assistance, as well as periodic replacements when necessary.

- **Students:** Full-time students at universities or specialized institutes who are pursuing undergraduate or graduate programs are entitled to social insurance benefits, specifically in the form of medical and healthcare services.

- **Socially Vulnerable and Low-Income Individuals:** This category includes individuals with limited or no income, who are eligible for social assistance from the state. These individuals, not covered by regular social insurance, are entitled to in-kind services if their income is below 50% of the guaranteed minimum pension. The law extends these benefits to their dependents, provided they meet the necessary legal requirements.

- **Other Categories:** The law also extends social insurance coverage to other groups, including:

- Prisoners performing heavy labor.
- Beneficiaries of compensation for work-related injuries or occupational diseases.

- Individuals with disabilities or those on retirement who are entitled to in-kind or cash benefits.

Moreover, individuals who have ceased their participation in social insurance due to the termination of their employment or activity, may continue to benefit from social insurance services for a limited period based on their work history.

According to the provisions of Decree 85/224 of August 20, 1985, the following groups are also included in Algeria's social security system:

- Employees working in Algerian diplomatic or consular missions abroad.
- Workers on foreign cooperation projects.
- Students and workers undergoing training abroad.
- Educational staff working outside Algeria.

These individuals, as well as their dependents, are entitled to social insurance services such as medical care, maternity benefits, and work injury benefits.

1.3. Beneficiaries of the Insured Person

Social insurance law guarantees the right of the beneficiaries of the insured person to benefit from the medical services covered under social insurance, particularly in the area of health insurance. This includes coverage of medical and therapeutic expenses, including those related to childbirth for the spouse of the insured person, as it is considered a medical condition. However, other beneficiaries are excluded from this provision. On the other hand, benefits related to disability are exclusively available to the insured person, as these are intended for their benefit and are tied to their personal status. Beneficiaries are also entitled to the death pension, provided the required conditions are met, and to the death grant, which is distributed equally among the beneficiaries in case of multiple claimants.

The term "beneficiaries" in the context of social insurance, as defined by Article 67 of Law 83/11, as amended and supplemented by Article 30 of Ordinance 96/17, includes the following individuals:

- **The spouse of the insured person** who does not engage in a paid professional activity that entitles them to social insurance benefits

in this capacity. Alternatively, the spouse may not be eligible if they fail to meet the requirements for eligibility based on their professional activity.

- **Children under the age of eighteen (18)** who are under the care of the insured person.
- **Children under the age of twenty-five (25)** who are under the care of the insured person and have signed a vocational training contract that provides them with a salary less than half the minimum national wage.
- **Children under the age of twenty-one (21)** who continue their education. However, if medical treatment begins before the age of twenty-one (21), the age requirement is waived until the end of treatment.
- **Children under guardianship, third-degree relatives (3rd degree), and females with no income**, regardless of their age.
- **Children of any age** who are unable to engage in any paid activity due to a disability or chronic illness.
- **The parents of the insured person or the parents of the spouse**, provided their income does not exceed the minimum pension amount, which is equivalent to 75% of the minimum national wage.

Note: Foreign workers' beneficiaries are only covered by social insurance if they are residents in Algeria, except in cases where Algeria has an agreement in the field of social insurance with the foreign worker's country. For example, the Algeria-France agreement, signed on October 1, 1980, and its annexed protocols, allows beneficiaries from one country working in the other to benefit from social insurance services even if they are not residents.

2. CONDITIONS FOR BENEFITING FROM SOCIAL INSURANCE BENEFITS

To qualify for the benefits prescribed under social insurance law, certain conditions must be met, some of which pertain to the insured person and others to their beneficiaries. Additionally, all legal requirements and obligations under the social security legislation must be fulfilled. Below are the necessary conditions for both parties.

2.1. General Conditions

These conditions relate to the beneficiary's status and apply to both the insured person and their beneficiaries, as detailed below:

A. For the Insured Person

To qualify as an insured person under the social insurance law, two primary conditions must be fulfilled:

- **Membership:** This involves registering with the social security organizations. All individuals subject to the social insurance legislation must be registered. Article 8 of Law 83/14 states that:

- “All persons, regardless of their nationality, whether they are employed or engage in a similar activity in Algeria, or are undergoing training in any capacity, whether for individuals or groups of employers, are required to register for social insurance, provided they meet the conditions outlined in this chapter.”

- Furthermore, **self-employed individuals** in any sector are also required to register.

Article 9 of the same law specifies that **students** attending higher education in public or accredited private institutions must also register for social insurance. However, this registration is not compulsory for those who are already beneficiaries of social insurance under a family member's coverage.

The responsibility for ensuring registration lies with the employers and those benefiting from social insurance, depending on the nature of the employer and the work involved. According to Articles 3, 4, and 5 of Law 83/14:

- The obligation to declare the worker's membership in the social insurance scheme begins from the first day of employment, regardless of the nature of the work.
- This also applies to self-employed individuals who hire workers, regardless of their status or the amount of their pay.

B. Payment of Contributions

Employers are required to pay the social insurance contributions for their employees. These contributions are made in a single payment to

the relevant social insurance body within thirty (30) days of the end of each quarter if the employer has fewer than ten (10) employees, or within thirty (30) days of the end of each month for employers with more than nine (9) employees.

The salary subject to social insurance contributions is the taxable income of the employee, and deductions are made automatically from each paycheck, without the employee having the right to object. For self-employed persons, contributions must be paid annually, starting on March 1st, before May 1st each year.

If the employer fails to pay the contributions within the stipulated period, the social insurance body can send a formal notice and grant an additional thirty (30) days for the employer to settle the amount due. If the employer still fails to pay, the social insurance body may take legal action to collect the outstanding contributions.

Note: Even if the insured person fails to meet the membership and payment obligations, the law provides for the social insurance body to continue paying the benefits owed to the insured person, with the right to recover these amounts from the employer who failed to meet their obligations.

C. For the Beneficiaries

Simply acquiring the status of beneficiary does not automatically grant the right to social insurance benefits. Additional conditions must be met, including:

- **Age Requirement:** Beneficiaries must not exceed the age limit specified in Article 67, which is as follows:
 - Under eighteen (18) years old for all children.
 - Under twenty-one (21) years old for children continuing their education.
 - Under twenty-five (25) years old for children in vocational training earning less than half of the minimum national wage.

However, the age requirement is waived for:

- Children under guardianship, third-degree relatives, and females with no income, regardless of their age.
- Children who cannot engage in any paid activity due to disability or chronic illness.

Note: It is essential to prove that the insured person is responsible for financially supporting the beneficiaries.

- **No Professional Activity:** Beneficiaries must not engage in any professional activity for themselves or others. Engaging in paid work would qualify them as insured persons themselves, thus excluding them from being considered as beneficiaries.

2.2. Special Conditions

These conditions specifically address the required work period for benefits to be granted, as well as the obligations of the insured person in cases of risk events covered by the social insurance legislation.

A. Work Duration Conditions

- **For Sickness and Disability:** To qualify for daily compensation for sickness during the first six (6) months, the insured person must prove that they have worked for:
 - Fifteen (15) days or one hundred (100) hours in the quarter prior to the onset of treatment.
 - Sixty (60) days or four hundred (400) hours in the year preceding the treatment.

If the sickness persists for more than six (6) months, the right to daily compensation or a disability pension will only be granted if the insured person has worked for:

- Sixty (60) days or four hundred (400) hours in the year prior to work stoppage or the medical diagnosis of disability.
- Or one hundred eighty (180) days or twelve hundred (1200) hours in the three (3) years preceding work stoppage or disability diagnosis.
- **For Childbirth:** To qualify for maternity benefits, the female worker must have worked for:
 - Fifteen (15) days or one hundred (100) hours in the three (3) months before the treatment.
 - Or sixty (60) days or four hundred (400) hours in the year preceding the maternity benefits.

For cash benefits related to maternity, the worker must have worked:

- Fifteen (15) days or one hundred (100) hours in the three (3) months before the first medical consultation for pregnancy.
- Or sixty (60) days or four hundred (400) hours in the year prior to the first medical consultation.

B. The Condition Regarding Legal Obligations

In addition to the requirement to meet the work duration condition, the insured person is not entitled to the benefits provided under social insurance if they fail to observe the legal obligations and restrictions imposed. These obligations vary depending on the nature of the injury or risk that triggers the entitlement to benefits. Since these conditions relate to monetary compensation, their application is limited to risks such as illness, maternity, and disability, excluding the risk of death. The benefits in the case of death are restricted solely to the death grant for the deceased's beneficiaries.

- **In the case of illness:** The insured person is required to declare the illness that causes the work stoppage by notifying the social security authority of any incident that may entitle them to financial compensation within two (2) days from the date the work stoppage is determined. Additionally, the insured person must comply with various medical examinations requested by the social security authority to monitor their health condition, including medical checkups, treatment, and all measures prescribed by the authority. These include the prohibition of engaging in professional activities or traveling during the illness period, unless authorized by the authority, and the requirement that the insured does not leave their home without the attending physician's order for medical purposes. This is allowed only between 10 a.m. and 4 p.m., except in cases of force majeure. In general, the insured must notify the authority about any changes in their health condition throughout the duration of their illness. Failure to comply with these obligations will result in the forfeiture of the financial compensation related to the period of work stoppage.
- **In the case of disability:** In addition to the obligations required for illness insurance, the insured person who benefits from financial compensation under disability insurance is also required

to undergo all medical examinations requested by the social security authority at any time.

- **In the case of maternity:** For all benefits provided under maternity insurance, eligibility requires that the delivery takes place under the supervision of a qualified doctor or medical assistants, except in cases of force majeure. Regarding financial compensation, the insured woman must suspend any professional activity during the compensation period and notify the social security authority of her pregnancy, as confirmed by a medical examination, at least six (6) months before the expected delivery date, specifying the expected date of delivery. She must also undergo medical checkups before and after delivery, including:

- A complete medical examination before the end of the third (3rd) month of pregnancy.
- A checkup during the sixth (6th) month of pregnancy.
- Two gynecological checkups, one before four (4) weeks of delivery, and the second eight (8) weeks after delivery.

Note on Prescription of Rights: Like other acquired rights, material and financial benefits under illness, maternity, and death insurance that are due to the insured person become subject to prescription if not claimed within four (4) years from the date they become due. The prescription period starts from the date the event that triggers the entitlement to benefits occurs. However, arrears related to disability pensions are subject to a prescription period of five (5) years.

3. PAYMENT OF SOCIAL SECURITY CONTRIBUTIONS

The contribution for social insurance is one of the primary sources of financing for social security expenses in general, including the costs of social insurance, and is a fundamental obligation for beneficiaries of the social security system. These contributions are paid as follows:

3.1. For Employed Workers

Social security contributions for employed workers are paid by the employer on behalf of the relevant social security body. Article 1 of Decree No. 94/12 dated May 26, 1994, which sets the contribution rate for social insurance, states:

“The total rate of contributions allocated to finance social security benefits (social insurance, work accidents and occupational diseases, early retirement, unemployment insurance) is set at 34.5%, effective from January 1, 1999.”

In this regard, Executive Decree No. 2000/50, dated March 4, 2000, specified in Article 2 that the 34.5% contribution is distributed as follows:

Branch	Employer's Share (%)	Employee's Share (%)	Social Services Fund (%)	Total (%)
Social Insurance	12.5	1.5	-	14
Work Accidents and Occupational Diseases	1.25	-	-	1.25
Pension	9.5	6.5	-	16
Unemployment Insurance	1.25	0.5	-	1.75
Early Retirement	0.5	0.5	0.5	1.5
Total	25	9	0.5	34.5

The basis for social security contributions is the total salary or equivalent income, excluding special allowances and compensation related to specific circumstances, such as relocation or isolation allowances.

Executive Decree No. 96/208, dated June 5, 1996, defines the income elements excluded from the basis of social security contributions as follows:

- **Special Benefits:** These refer to family-related allowances, such as family benefits, study allowances, maternity or marriage allowances, and other allowances paid due to family events.
- **Reimbursement for Expenses:** Such as expenses incurred for performing a task, clothing, equipment, or medical treatment.
- **Specific Compensation:** Compensation for harm caused to the worker (e.g., compensation for dismissal), or special bonuses like early retirement compensation.
- **Allowances for Specific Working Conditions:** This includes allowances or compensation for workers in certain conditions such as working in isolated areas, or working on rotating shifts, or residing in temporary accommodations like mobile camps.

All of these allowances and compensations are not included in the basic salary but are calculated as part of the variable salary, which is not used in calculating social security contributions.

3.2. For Non-Employed Workers

The contribution rate for this category is determined in two ways:

- **Based on Taxable Income:** For non-employed workers, the social security contribution is based on their taxable annual income, up to a ceiling of eight (8) times the national guaranteed minimum wage (SNMG). If the individual engages in multiple non-salaried activities, the total contribution should not exceed the maximum limit mentioned. The contribution rate is 15% of the taxable income, divided as follows:

- 7.5% for social insurance, including illness, maternity, disability, and death.
- 7.5% for pension contributions.

- **Based on Gross Business Income:** If the taxable income cannot be determined, the contribution rate is based on the business turnover, with the following rates:

- 15% for individuals engaged in trading (merchants).
- 30% for service providers (e.g., doctors, lawyers).

Note: If the taxable income or gross business income cannot be determined, the basis for contributions is temporarily set to the national guaranteed minimum wage (SNMG).

- **Exempt Categories:** The law has exempted certain categories from paying social security contributions, and the government or its institutions pays these contributions on their behalf. The categories include:

- **Household Workers:** The social security contribution is based on the national guaranteed minimum wage, at a rate of 29%, divided as follows:

- 24% paid by the employer.
- 5% paid by the worker.

- **Artists, Performers, and Participants:** Contributions are calculated in two parts:

- On the wage part: 29%, divided as follows:
 - 24% paid by the employer (with obligations on the body that pays the fees).
 - 5% paid by the worker.
- On the fee part: Contributions are calculated based on a ceiling of 100,000 DZD per year at a rate of 12%, paid entirely by the beneficiary.
- **Private Domestic Workers:** Contributions are based on the national guaranteed minimum wage at a rate of 6%, divided as follows:
 - 4% paid by the employer.
 - 2% paid by the worker.
- **Fishermen and Maritime Employers:** Social security contributions are based on the national guaranteed minimum wage at the following rates:
 - Fishermen who work with the employer are subject to a 12% contribution, divided as follows:
 - 7% paid by the employer.
 - 5% paid by the fisherman.
 - For maritime employers: Contributions are based on three times the national guaranteed minimum wage, with the full 12% paid by the employer.
- **Porters and Licensed Parking Attendants:** Contributions are calculated based on the national guaranteed minimum wage at a rate of 3%, paid entirely by the workers.

3.3. Exempt Categories

The law has exempted several groups from paying contributions, such as students, prisoners performing hard labor, war veterans, and others. In these cases, the contributions are borne by the state through its institutions.

For more detailed information and updates, please refer to the official legal journals available on the website www.joradp.dz.

SELF-ASSESSMENT QUESTIONS FOR THE FIFTH CHAPTER

Question 1: What are social insurances, and what are the conditions for benefiting from them?

Question 2: What is the difference between social insurance and social security?

Question 3: Do detainees and prisoners receive insurance coverage?

Question 4: Who are the beneficiaries of social security in Algeria?

Question 5: Define social risk.

Question 6: What are the contribution rates for social security insurance?

Question 7: How are the contributions allocated for financing social security benefits?

Activity 1: Download all the documents related to social security from the social security fund's website and define each document individually.

Activity 2: A colleague of yours has joined the university. Help them understand the stages of student social insurance, and explain how to register and obtain a health insurance card.

APPENDIX

APPENDIX No. (01)
RANKING OF ALGERIAN INSURANCE COMPANIES
BY REVENUE FOR THE YEAR 2016.

en milliers

	Primes émises 2016		Primes émises 2015		Evolution 2015- 2016(2)	Parts 2016
	En DZD(1)	En USD	En DZD(1)	En USD		
Société Algérienne d'Assurance	26 875 000	244 186	27 413 000	257 189	-2,0%	20,7%
Compagnie Algérienne d'Assurance Transport (CAAT)	22 615 000	205 480	21 160 000	198 523	6,9%	17,5%
Compagnie Algérienne d'Assurance et de Réassurance	15 082 000	137 035	16 638 000	156 098	-9,4%	11,6%
Caisse Nationale de Mutualité Agricole	12 649 000	114 929	12 452 000	116 825	1,6%	9,8%
CASH Assurances	9 887 000	89 833	9 946 000	93 313	-0,6%	7,6%
Compagnie Internationale d'Assurance et de Réassurance (CIAR)	9 182 000	83 428	9 079 000	85 179	1,1%	7,1%
SALAMA Assurances	5 019 000	45 603	4 707 000	44 161	6,6%	3,9%
Alliance Assurances	4 565 000	41 478	4 432 000	41 581	3,0%	3,5%
L'Algérienne des Assurances	3 627 000	32 955	3 594 000	33 720	0,9%	2,8%
Générale Assurance Méditerranéenne (GAM Assurances)	3 329 000	30 247	3 203 000	30 050	3,9%	2,5%
AXA Assurances Algérie Dommage	2 569 000	23 342	2 496 000	23 417	2,9%	2,0%
Trust Algeria	2 453 000	22 288	2 152 000	20 190	14,0%	1,9%
MAATEC	469 000	4 261	553 000	5 188	-15,2%	0,4%
Total assurance dommages	118 321 000	1 075 065	117 825 000	1 105 434	0,4%	91,3%
Taamine Life Algérie (TALA)	2 191 000	19 907	2 131 000	19 993	2,8%	1,7%
Caarama Assurances	2 069 000	18 799	1 784 000	16 737	16,0%	1,6%
Cardif El-Djazair	1 768 000	16 064	1 565 000	14 683	13,0%	1,4%
AMANA Assurances	1 697 000	15 419	1 479 000	13 876	14,7%	1,3%
AXA Assurances Algérie Vie	1 550 000	14 083	1 290 000	12 103	20,2%	1,2%
Macir Vie	1 428 000	12 975	1 358 000	12 741	5,2%	1,1%
Le Mutualiste	507 000	4 607	467 000	4 382	8,6%	0,4%
Algerian Gulf Life Insurance Company (AGLIC)	30 000	273	1 000	9	2900,0%	0,0%
Total assurance de personnes	11 240 000	102 127	10 075 000	94 524	11,6%	8,7%
Total général	1 29 561 000	1 177 192	127 900 000	1 199 958	1,3%	100%

Source : <https://www.atlas-mag.net/article/classement-des-compagnies-dassurance-selon-le-chiffre-daffaires-2016>

APPENDIX No. (02) STUDENT RIGHTS IN SOCIAL SECURITY

وزارة العمل والتشغيل والضمان الاجتماعي
الصندوق الوطني للتأمينات الاجتماعية للأجراء



كلية

حقوق الطالب في الضمان الاجتماعي

الصلحوق الوطني للتأمينات الاجتماعية للأجراء
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حقوق الطالب في الضمان الاجتماعي

أيهما الطالب هذا يهكم

يسمح لك تسريع الضمان الاجتماعي الحصول على صفة المؤمن له اجتماعيا وتلك بالحصول على رقم تسجيل ميثارة لدى التحافك بالجامعة. فما عليك إلا أن تقوم بملء استمارة التصريح وطلب الانتساب (القابلة للتحميل عبر الموقع الإلكتروني للصندوق) التي يجب أن توقع من قبل المصلحة المختصة بالجامعة مع إرفاقها بالوثائق التالية:

- نسخة من شهادة الميلاد (رقم 12).
- شهادة التسجيل بالجامعة.

حقوقك

حال حصولك على رقم التسجيل، بإمكانك الاستفادة من الإداءات العينية للمخاطر التالية:

- التأمين على المرضى،
- التأمين على الأمومة،
- الاستفادة من جميع الإداءات المرتبطة بحدوث العمل، بما فيها منح رأس مال الوفاة في حال حادث العمل المعيت.

التزاماتك

تقديم شهادة مدرسية بداية كل سنة جامعية جديدة، الاستجابة لاستدعاءات مصالاح الرقابة الطبية عند الاقتضاء

تسديد الإداءات

حتى تتمكن من الحصول على مستحقك ما عليك إلا تقديم صك مشطوب (بريدي أو بنكي) لدى مركز دفع التسابك.



حقوق الطالب في الضمان الاجتماعي

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APPENDIX No. (03) HEALTH INSURANCE

وزارة العمل والتشغيل والضمان الاجتماعي
الصندوق الوطني للتأمينات الاجتماعية للعمال الأجاء



التأمين على المرض

الصندوق الوطني للتأمينات الاجتماعية للعمال الأجاء

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الخطوط والفاكس
المقران: طريق الحوضين بن عكنون الجزائر

التأمين على المرض

تتمتع أدايات التأمين على المرض:

تسمح لك الأدايات الطبية ولدي حقوق بالإستفادة من التكاليف بالمصاريف العلاج الصحي، وتغطي النفقات التالية:

- الأفعال الطبية الجراحية، الإستشفائية،
- البيولوجية،
- الصيدلانية، الأجهزة والأعضاء الاصطناعية،
- إعادة التأهيل الوظيفي والتأهيل المهني،
- العلاج والجراحة التجبيرية للأسنان، جراحة عظام الوجه والفكين،
- التطعيمات الطبية،
- العلاج بالمياه المعدنية والعلاج المتخصص حسب طبيعة المرض،
- النقل الصحي بواسطة سيارة إسعاف وكل وسيلة نقل تقتضيها الحالة الصحية للمريض،
- أدايات مرتبطة بتنظيم الأسرة.

تسبب التكاليف والمصاريف الطبية:

كقاعدة عامة يتم تسديد الأدايات الطبية بالإستفادة من 80 %، ويمكن الرفع من هذه النسبة إلى 100 % في الحالات المنصوص عليها بموجب التنظيم (بعض الأمراض المزمنة، المستقيمين من معاش تقاعد مساري أو يقل عن الأجر الوطني الأدنى المضمون).

الأدايات التقديرية:

تسمح لكم الأدايات التقديرية بالإستفادة من دفع تعويضية يومية موجهة لتعويض الدخل المفقود، عندما تضطرون إلى التوقف الموقت عن العمل بسبب المرض، تتأخر التعويضية اليومية ما يلي:

نسبة 50% من الأجر اليومي الخاضع للإشتراكات، تقطع منها اشتراكات التأمين الاجتماعي والضرورية على الدخل الإجمالي، بالنسبة للأول 15 يوما الأولى من التوقف عن العمل يتراوح هذه النسبة إلى 100% ابتداء من اليوم السادس عشر (16) من التوقف عن العمل، في حال الإستشفاء أو في حال المرض طويل الأمد.

الإستفادة من هذه الأدايات يجب أن:

- تكون لديكم مسة المومن له (1) اجتماعيا،
- تيزير مدة معينة من العمل

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البريد الإلكتروني

الخطوط والفاكس

المقران: طريق الحوضين بن عكنون الجزائر

التأمين على المرض

التأمين على المرض

يجب عليكم تقديم ما يلي:

- وصفة طبية
- بطاقة الشفاء محدثة

يتم إعوانكم من الرقعة الطبية الفيزية في الحالات التالية:

- إذا كنتم مصابين بأمراض مزمنة،
- في حال بلوكنم من الـ 75 سنة فما فوق،
- غير أنه وفي حال تضمنت وصفتكم أوية خاضعة لشروط خاصة للتحويل (ويستحسن العلاج الخاص المعاد) فتخضع إلى الرقعة الطبية الفيزية

لتعويض المصاريف الصيدلانية، يجب عليكم تقديم ما يلي:

- وصفة طبية مسق عليها قسيمة الدواء
- بطاقة الشفاء

يتم تعويض المصاريف الصيدلانية عن طريق التحويل إلى الحساب البريدي أو البنكي.

التزاماتكم في حال التوقف عن العمل:

- عليكم التصريح بالتوقف عن العمل إلى الصندوق في أجل لا يتعدى يومين (02) (تستثنى أيام العطل). كما لا يتم احتساب اليوم الذي وصف فيه التوقف عن العمل (إيداع أو إرسال الشهادة الطبية للتوقف عن العمل عن طريق البريد).
- لا تقوموا بأي نشاط مهني غير مرخص،
- لا تغادروا مكان إقامتكم إلا إذا وصف لكم الطبيب ذلك لأغراض علاجية (يرخس لكم الخروج من الساعة 10 صباحا إلى غاية الرابعة بعد الزوال)،
- لا يجب أن تتلقوا دون ترخيص مسبق من الصندوق، وذلك بعد رأي الطبيب المستشار،
- الخضوع إلى كل المراقبات الطبية أو الإدارية التي يجريها الصندوق (الزيارات المنزلية).

التكفيك

تتقدم أدايات التأمين على المرض بعد انقضاء 04 سنوات ما لم تتم المطالبة بها.

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