

## **An Analytical Study of the Reality of Bancassurance in Algeria for the Period 2012-2022**

**Bali Hamza <sup>1</sup>\*, Bali Mossab <sup>2</sup>**

<sup>1</sup> University of El Oued – Algeria, Bali-hamza@univ-eloued.dz

<sup>2</sup> University of El Oued – Algeria, Bali-mossab@univ-eloued.dz

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### **Abstract:**

This study aims to highlight the role of banks in distributing insurance products through bancassurance agreements, which represent one of the most important distribution channels offered by Algerian banks. These agreements can generate additional income for both banks and insurance companies while promoting the sector in Algeria. The study also seeks to shed light on the reality of bancassurance practices in Algeria by identifying the factors that contribute to the success of this activity and the challenges it faces. The study adopted a descriptive approach by addressing the theoretical concepts related to bancassurance and an analytical approach by examining the figures and statistics of this branch of insurance during the period 2012–2022. The findings reveal that bancassurance in Algeria has achieved significant progress during the study period. However, it still faces several shortcomings, including legislative gaps, the limited range of products offered, and the lack of an insurance culture within Algerian society.

**Keywords:** Insurance, Bancassurance, Banks, Insurance Companies, Commission.

**JEL Classification:** G22, G21, D23

## **Introduction**

In the era of globalization and the restructuring of the banking services industry, the scope of banking operations has expanded to include the insurance sector, leading to the emergence of new banking services previously unfamiliar, such as bancassurance. Bancassurance has become one of the most significant developments in the financial services sector. In alignment with this trend, Algeria initiated a series of reforms across various sectors, particularly banking and insurance, through Law 04-06 dated February 20, 2006, which amended Ordinance No. 07-95 dated January 25, 1995. This legislation provided a major incentive by allowing banks to market insurance products, paving the way for bancassurance services through agreements between banks and insurance companies starting in 2008.

Bancassurance represents one of the latest strategies in marketing insurance services and serves as a primary channel for strengthening the relationship between the insurance and banking sectors. These measures have resulted in the first strategic alliances between insurance companies and banks.

- **Main Problem Statement:** Based on the above, the main research question can be formulated as follows:

- What is the state of bancassurance in Algeria during the period 2012–2022?

• **Research Hypothesis:** Based on the above problem, the following hypothesis was formulated:

Bancassurance in Algeria contributes to increasing the insurance sector's revenue by reaching a broader segment of bank customers at lower costs.

• **Research Objectives:** This study aims to:

- Understand the legislative and practical realities of bancassurance in Algeria.

- Analyze the partnership and cooperation between insurance companies and banks in Algeria.

- Examine the figures and statistics of the bancassurance sector in Algeria for the period 2012–2022.

- Identify the main obstacles and challenges facing bancassurance services and propose key measures to enhance and activate partnerships between insurance companies and banks in the future.

• **Methodology:** Given the nature of the study and its objectives, a descriptive approach was adopted for the theoretical aspect, focusing on various concepts related to bancassurance. An analytical approach was employed for the practical aspect, examining the development of

bancassurance figures and statistics in Algeria during the period 2012–2022.

- **Research Structure:** This study is divided into two main sections:
  - **Section One:** Theoretical framework of bancassurance.
  - **Section Two:** The reality of bancassurance in Algeria for the period 2012–2022.

### **Section One: Theoretical Framework of Bancassurance**

Modern banking and financial operations require a precise and profound understanding of financial risks and effective, sustainable methods to manage them. One of the key tools used to achieve this objective is bancassurance, which is regarded as a primary instrument for financial risk management in banks and other financial institutions.

**1. The Concept of Bancassurance:** Understanding the theoretical aspects of bancassurance is a fundamental step in recognizing its nature and importance within the financial system. These aspects encompass the historical evolution of its concept, its modern definition, the key factors contributing to its success, and the strategic models used by banks to develop bancassurance services.

**1.1. Historical Evolution of Bancassurance:** The concept of bancassurance emerged in most countries worldwide in the early 1980s as a result of developments in financial globalization. These developments broke down barriers between various financial sectors and increased the diversity of services provided by banks and other financial institutions.

France is one of the first countries to adopt the concept of bancassurance. Initial steps in this direction began in the early 1970s with the introduction of life insurance and fire risk insurance products. In Spain, bancassurance began in the early 1980s when Banco de Bilbao acquired the largest share in the insurance company SA EUROSEGUROS. However, it took 11 years before they started offering insurance products due to concerns about overlaps between banking and insurance activities.

In other parts of the world, interest in bancassurance was relatively delayed. U.S. banks began selling life insurance policies in the 1990s, while Asian countries did not adopt this model until after 2003, following government removal of barriers between banking and insurance operations (Kobili Nabil, 2012, p. 04)

**Table number (01):** The key historical milestones in the development of bancassurance:

Stage	Focus	Diversification	Maturity	Beginning
2005 to Present	Recovery	Companies – Alliances	Public offers for external growth	External conglomerates, creation of internal branches
2000-2005	Personal convergence	Service integration	Simple distribution	
1985-2000	Expansion			
1975-1985	Beginning			

Source: Nabil Qabli, Qamari Soufiane, Previously Cited Reference, p. 5.

## 1.2. Definition of Bancassurance

**A. Definition of a Bank:** The term "bank" originates from the Italian word *banco*, which means "bench," referring to the counters where money changers sat to exchange currency. Over time, the term evolved to signify the place where money transactions were conducted. It has also been defined as "a meeting point between the supply and demand for money" (Shaker, 1989, p. 24).

Banks function as repositories for savings, channeling these funds to individuals in the form of loans and investments. This positions them as intermediaries connecting savers with surplus funds to those in need of financial resources. Thus, banks are financial institutions that mediate between two distinct parties: one with financial surpluses and the other with financial deficits. Their role is crucial in collecting and redistributing money between these parties (Al-Husseini, 2000, p. 13).

**B. Types of Banks:** Banks can be categorized based on their objectives in the economic system. These include:

- **Central Banks:** Independent legal entities tasked with formulating and overseeing the implementation of monetary, credit, and banking policies in line with the state's general plan. The central bank has the authority to inspect the records and accounts of other banks to ensure its goals are achieved.
- **Commercial Banks:** These are secondary institutions in the banking hierarchy. They accept deposits and extend credit, operating under the supervision of the central bank. Their primary goal is profit generation at the lowest possible cost. They may be owned by joint-stock companies or foreign entities in the case of foreign banks.
- **Specialized Banks:** These banks focus on specific economic activities as defined by their establishment regulations. Unlike

commercial banks, they may not accept demand deposits. Examples include industrial, agricultural, and real estate banks, which often rely on their capital and offer long-term loans at preferential rates. They play a significant role in developing countries by fostering investment and creating an enabling environment for it (Tesseha, 2001, p. 139).

In addition to the central, commercial, and specialized banks, other categories include:

- **Investment Banks:** Also known as medium- and long-term credit banks, their primary operations involve providing medium- and long-term loans, relying on significant capital resources.
- **Islamic Banks:** Financial institutions that operate based on principles distinct from conventional interest-based banking. They engage in activities such as partnership and profit-sharing (Murabaha) and contribute to economic development.
- **Business Banks:** These banks have a unique operational framework focused on financing and managing other enterprises through lending, equity participation, or acquisition. Unlike other banks, they operate primarily in capital markets rather than money markets.
- **Savings and Thrift Institutions:** These entities focus on collecting savings, primarily from small-scale savers, and offer savings books to record transactions. They play an essential role in mobilizing savings and redirecting them as loans.
- **Insurance Companies:** These institutions provide financial intermediation by collecting insurance premiums and utilizing them for loans or other financial activities.

**C. Definition of Bancassurance:** Bancassurance is commonly defined as "the participation of banks, savings institutions, and mortgage loan entities in the distribution of insurance products" (Leach, 2001, p. 22). According to the Limra Dictionary, it is "the provision of insurance products and services, particularly life insurance, by banks and participating credit institutions" (LIMRA, 2002, p. 46).

Bancassurance originated in France, where it initially referred to the sale of life insurance products through banks. However, the term encompasses more than mere distribution, including legal, financial, cultural, and behavioral dimensions that vary across countries. In some markets, bancassurance dominates, accounting for more than two-thirds of life insurance sales, while in others, alternative models prevail.

Bancassurance fosters collaboration between banks and insurance companies through various mechanisms, such as:

- Equity ownership between banks and insurance companies.

- Mergers.
- Joint ventures.
- Direct distribution of insurance products by banks on behalf of insurance companies.

As a strategic approach, bancassurance targets customers by offering a combination of banking and insurance products. This dual offering aims to build customer loyalty and generate profits.

**1.3. Importance of Bancassurance:** The significance of bancassurance can be explained for customers, banks, and insurance companies as follows (Fattah, 2000, p. 61)

**A. Importance of Bancassurance for Customers:**

- **Comprehensive Products:** Customers expect comprehensive financial coverage, which bancassurance provides by offering suitable products promptly to meet their financial needs.
- **Convenience and Cost Efficiency:** Bancassurance offers insurance products at lower prices due to reduced operational costs, ensuring customer peace of mind and confidence in product quality.
- **Trust and Reliability:** Customers trust their banks to offer appropriate insurance products, which they may not extend to standalone insurance companies, encouraging them to purchase insurance through banks.
- **One-Stop Financial Services:** Bancassurance integrates various financial services under one roof, addressing customers' financial needs comprehensively.
- **Expert Advice:** Banks have extensive customer databases and access to insurance expertise, enabling them to provide tailored recommendations based on data and accumulated experience. Customers benefit from this by receiving informed consultations at banks.
- **Ease of Renewals:** Since banks directly interact with customers, they handle renewal processes efficiently, making it hassle-free and straightforward for customers.

**B. Importance of Bancassurance for Banks:** The significance of bancassurance for banks lies in the following: (Fattah, 2000, p. 63)

- **Diversifying Customer Portfolios:** Bancassurance is an attractive way to diversify a bank's customer portfolio by adding insurance products to its financial offerings.
- **Improving Profitability and Increasing Income:** Banks can earn risk-free commission income from insurance companies, enhancing profitability.

- **Attracting and Retaining Customers:** Providing bancassurance services strengthens the relationship between banks and their customers, fostering loyalty and retention.
- **Efficient Resource Utilization:** Banks can use existing resources, such as premises and staff, to sell new insurance products, minimizing additional costs.
- **Specialized Employee Training:** Banks provide tailored training for their employees to enable successful sales of insurance products, often supported by attractive incentive schemes.

### **C. Importance of Bancassurance for Insurance Companies:**

- **Expanding Market Access:** Bancassurance leverages banks' extensive market reach, enabling insurance companies to access customer segments they might otherwise struggle to reach.
- **Increasing Sales and Premiums:** Expanding market access drives higher sales and premium collection, enhancing the competitive strength of insurance companies.
- **Building Trust with Customers:** Insurance companies benefit from the trust customers have in banks, increasing customer engagement and loyalty to insurance products.
- **Utilizing Customer Data:** Banks possess vast amounts of customer data, which insurance companies can use to analyze behavior, identify needs, and develop tailored insurance products.
- **Operational Efficiency and Cost Reduction:** Insurance companies achieve greater efficiency and cost savings by utilizing the infrastructure and staff of banks for sales and marketing.
- **Enhancing Customer Experience:** Innovations in bancassurance models improve customer experiences throughout their financial journey, boosting loyalty and trust.

## **2. Factors Supporting Bancassurance Success**

**2.1. Bancassurance Model Selection:** There is no standard model for bancassurance, as each bank and insurance company selects the model that best fits their cultural, regulatory, and operational environment. A single model cannot dominate the entire market due to the diversity of conditions and challenges. For this reason, some stakeholders prefer simple distribution agreements that provide greater flexibility in decision-making regarding distributed products (Tahar, 2003, p. 25)

**2.2. Integrated Management Model (Automated Information System):** An effective, fully integrated administrative model is essential for bancassurance success. In some countries, bancassurance has achieved significant integration by implementing automated information systems in bank branches. Success depends on an efficient IT system capable of

handling rapid transactions, including offering quotes directly at service points.

Quick responses to customer needs at the point of sale are critical. Full integration of data processing within the bank's network allows banks to respond promptly to customer requirements, build strong relationships, and secure a competitive edge for bancassurance operations.

**2.3. Training Sellers:** The network consists of employees responsible for providing financial products and services. Training these employees in insurance is essential to help them master the basics of the field and deliver quality service to customers. Mistakes made by unqualified employees can negatively impact the bank's reputation and customer trust. Therefore, comprehensive training for staff before launching bancassurance operations is crucial.

**2.4. Incentive Systems for Sellers:** To enhance customer interest and engagement, an incentive system for sellers must be established. These incentives typically depend on factors such as the type and number of products sold and the capital volume. Selling insurance products linked to banking products, such as life insurance for credit, requires motivating sellers to make additional efforts.

In contrast, selling complex products like financial savings or damage insurance demands an effective and appropriate rewards system due to the high effort and expertise required. Commissions and incentives can take various forms, such as commissions per new insurance policy or gifts for top-performing sellers. However, care must be taken to promote insurance products without overshadowing banking products, as this could disrupt the bank's internal hierarchy (Daniel, 2003, p. 33)

**2.5. Marketed Product Specifications:** The specifications of marketed products require banks to interact with distributed products to better understand customer needs. Bancassurance often starts with the distribution of simple insurance products, sometimes integrated with bank offerings. These products must align with the bank's sales processes and management practices.

The compatibility between bancassurance and banking products facilitates sales, especially since life insurance products share similarities with deposits. However, some of these products are not substitutes for banking products, posing challenges for both banks and insurance companies.

**2.6. Favorable Legal and Tax Environment:** One of the main factors for the success of any bancassurance model is the presence of an effective legal and tax environment. This includes laws, regulations, and policies governing bancassurance activities, as well as the stance of authorities on developing this sector. A supportive legal environment enables banks to

expand and partner with insurance companies without facing excessive restrictions on selling insurance products through their networks, thereby allowing quicker and easier growth (Tahar, 2003, p. 30)

**2.7. Cultural and Behavioral Factors:** Customer behavior in countries where bancassurance has seen significant growth provides a methodology for understanding consumer behavior in other nations.

The image consumers hold of a bank and its societal status is a key factor in the success of bancassurance. In countries like France, Italy, Spain, and Belgium, banks have a strong reputation, and customers maintain good relationships with banks and their representatives. Banks leverage these relationships to improve their ability to address insurance-related issues.

In these countries, bank-customer interactions often occur through personal meetings, while in Anglo-Saxon countries, customers prefer using phones or the internet for banking transactions. A well-organized and geographically diverse banking network is vital. The availability of numerous service points fosters geographic and human proximity, making interactions between bankers and consumers easier and enhancing opportunities for product sales and marketing.

Consumer behavior patterns also play a significant role in the development of this sector. For example, in Anglo-Saxon countries, customers prefer online management of their financial affairs, whereas in other countries, personal interactions with banks are more common.

**2.8. Leveraging Low Insurance Penetration Rates:** The remarkable success of the bancassurance sector in some countries can also be attributed to leveraging low insurance penetration rates. International banks and insurance companies have formed alliances or partnerships with local insurance companies to tap into these markets. Local companies possess a better understanding of consumer needs or collaborate with local banks that have extensive and well-organized networks.

As a result of these efforts, the bancassurance sector has experienced significant, efficient, and rapid growth. A prime example of this is seen in Spain and some Latin American countries, where foreign banks and insurance companies enjoy widespread market penetration. Several Asian countries have also adopted this approach to foster growth in their bancassurance sectors (Tahar, 2003, p. 25)

**Table number (02):** Factors Contributing to the Success of Bancassurance

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<b>External Factors</b>	<b>Internal Factors</b>
- Legislation	- Product definition and distribution methods
- Tax incentives	- Incentive systems for sellers
- Market image	- Providing the necessary structure for creating a sales

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<b>External Factors</b>	<b>Internal Factors</b>
- Low insurance penetration rate	network - The chosen bancassurance model - Providing an integrated administrative model

**Source:** Daniel Jean Pierre, Bancassurance Seminar Document, Superior School of Banking, Algiers, April 15–16, 2003, p. 33

### **3. Advantages and Disadvantages of the Relationship Between Insurance Companies and Banks**

#### **3.1. Relationship Between Insurance Companies and Banks**

Understanding the relationship between insurance companies and commercial banks requires first examining their working mechanisms and identifying areas of similarity and complementarity.

**A. Working Mechanisms Between Commercial Banks and Insurance Companies:** With continuous developments and changes in the banking and financial sectors, banks have adopted collaborative policies with insurance companies to enhance and develop the insurance services they offer. This collaboration aims to increase their competitiveness and maintain business growth. Some procedural policies include:

- **Life insurance for loan customers:** Insurance companies commit to covering loan repayments in case of the borrower's death.
- **Property insurance for loans:** Banks collaborate with insurance companies to insure financed properties, such as homes and cars. Banks earn commissions from insurance companies for marketing these services.
- **Fixed deposit insurance collaborations:** A common model worldwide where banks and insurance companies combine deposit systems with insurance services. Insurance premiums or portions thereof are paid from the interest generated by the deposit.
- **Coverage for specific risks:** Banks, in collaboration with insurance companies, provide risk coverage tailored to customer requirements.
- **Family budgeting support:** Banks collaborate with insurance companies to offer regular income solutions for families. Customers or insured individuals pay regular premiums, which are subsequently distributed according to commitments and pre-defined allocations.
- **Holding company structure:** Banks may adopt a holding company structure to diversify their activities and reduce risks. This approach is linked to the potential impact of deregulating holding company activities on the level of risk associated with banking operations.

## **B. Similarities and Integration Between Insurance Companies and Banks:**

Some economists identify similarities and overlaps in the services provided by both banks and insurance companies. These points can be summarized as follows (Berriche Abdelkader, 2008, pp. 3-4):

- Both banks and insurance companies offer savings instruments and investment services to their customers.
- Insurance companies perform multiple roles, including underwriting insurance policies and managing assets, and must excel in both areas, similar to banks.
- Insurance companies collect premiums before paying compensation for damages and claims, giving them additional time to invest in assets. Similarly, banks invest their customers' deposits.
- Premiums collected by insurance companies before claim payouts allow them to retain these funds temporarily, during which they can invest them in assets. Likewise, banks utilize customer deposits for various financial activities.
- Insurance companies, like banks, maintain capital reserves for multiple purposes, including compliance with regulatory requirements. These reserves indicate financial capacity, support business expansion, and serve as safeguards to preserve company value and avoid financial crises.
- The ratio of shareholder equity to liabilities or total assets is an essential metric for both insurance companies and banks, serving as an indicator of financial stability and dynamics.
- Although both are financial institutions, banks differ as they operate as banking financial institutions, engaging in money creation and credit expansion—activities outside the purview of insurance companies. However, banks can perform such functions on behalf of insurance companies.

### **3.2. Advantages and Disadvantages of Bancassurance**

**A. Advantages of Bancassurance:** The collaboration between financial institutions—banks and insurance companies—has created shared interests through leveraging common customer bases. This partnership has resulted in a mix of benefits and challenges for both institutions (insurance companies and banks) and their customers.

- **Advantages for Banks:** The benefits of bancassurance for banks include: (Oliveboard, 2024)
  - Generating steady and recurring income by diversifying the range of services and products offered by insurance companies through banks.
  - Enhancing trust and strengthening relationships with customers.

- Maximizing the use of the workforce to increase productivity efficiency.
- Transforming banks into multi-service commercial hubs that meet customers' financial and insurance needs.
- Satisfying customer demands by providing all financial services under one roof.
- **Advantages for Insurance Companies:** The benefits for insurance companies include: (Messaoudah, 2020, p. 165)
  - **Liquidity Support:** Collaboration with banks provides financial support to insurance companies, reducing liquidity risks and enhancing service quality.
  - **Leveraging Trust:** The trust customers place in banks improves the reputation and image of insurance companies, enabling them to reach a broader customer base.
  - **Cost Reduction:** Collaboration reduces distribution costs, increasing insurance company activity and boosting revenues.
  - **Diversified Distribution Channels:** The partnership offers an opportunity to change distribution methods, reducing dependence on a single distribution network. This minimizes distribution costs and commissions, enabling competitive pricing.
  - **Better Understanding of Customer Needs:** Working with banks allows insurance companies to gain deeper insights into customer preferences by utilizing banks' extensive customer bases.
  - **Utilizing Financial Expertise:** Insurance companies can benefit from banks' financial expertise, leveraging their investment skills and experience in the financial domain.
- **Advantages for Customers:**
  - **All-in-One Financial Services:** Customers can access all financial services in one place, eliminating the need to visit multiple financial institutions, making transactions more convenient and efficient.
  - **Attractive Insurance Services:** Banks often offer attractive insurance services to customers, benefiting both banks and clients.
  - **Bank Support:** Bank backing gives customers a sense of security and confidence, making their financial transactions more comfortable.
  - **Simplified Payments:** Banks provide simple and straightforward payment options, such as direct deductions from bank accounts.

- **Enhanced Insurance Services:** When banks offer insurance products similar to those provided by insurance companies, they often improve these services, benefiting customers through higher-quality offerings (Guenane, 2014, p. 33).

**B. Disadvantages and Drawbacks of Bancassurance:** Despite the benefits of collaboration between insurance companies and banks, arising from shared interests and common customer bases, several challenges and differences have been identified. These include: (Dichevska, 2018, p. 147)

- Advanced technical conditions are required to handle accident and property insurance products. The absence of these conditions can harm the bank's reputation.
- Conflicts may arise between the bank's other products and insurance policies, causing confusion for customers about where to invest their funds.
- Poor decision-making regarding the collaboration between insurance companies and banks can negatively affect the bank's reputation and its relationship with customers.
- Insurance risks may lead to solvency issues for the bank, impacting its ability to fulfill its obligations (Szewieczek, 2013, p. 650).
- Insurance companies might exploit the vast customer data they have access to for their own benefit, potentially compromising data security.
- Insurance products selected by the bank may lack fair competition, as the bank makes decisions without offering customers alternative options.

## **Section Two: The Reality of Bancassurance in Algeria**

To advance the Algerian insurance sector and align it with global trends, the legislature revised Ordinance No. 95/07 dated January 25, 1995, with Law No. 06/04 dated February 20, 2006. One of the key amendments involved diversifying distribution channels, enabling insurance companies to sell their products through alternative channels, including banking networks. Article 53 of the amended law states:

"Insurance companies can distribute their products through banks, financial and semi-financial institutions, and other distribution networks." (Official Gazette of the People's Democratic Republic of Algeria, 2006, p. 05)

### **1. Legislative and Regulatory Framework for Bancassurance in Algeria**

**1.1. Legislative and Regulatory References:** Several legal and legislative texts regulate bancassurance services in Algeria, the most notable being Executive Decree No. 153/07 of May 22, 2007, which defines the conditions and terms for distributing insurance products through banks, financial institutions, and other networks. Key legal references include:

- **Law 06-04 (February 20, 2006):** Amending and supplementing Ordinance No. 95/07 dated January 25, 1995, related to insurance, Part III, Chapter I. Published in the Official Gazette No. 15, March 12, 2006.
- **Executive Decree No. 07-153 (May 22, 2007):** Specifies the conditions and methods for distributing insurance products through banks, financial institutions, and other networks. Published in the Official Gazette No. 35, May 23, 2007.
- **Decision of August 6, 2007:** Determines the insurance products that can be distributed through banks and financial institutions and sets the maximum distribution commission. Published in the Official Gazette No. 59, September 23, 2007.
- **Executive Decree No. 02-293 (September 10, 2002):** Amending and supplementing Executive Decree No. 95-338 (October 30, 1995) concerning the establishment and coding of insurance operations. Published in the Official Gazette No. 61, September 11, 2002.
- **Decision of February 20, 2008:** Specifies the maximum percentage of a bank or financial institution's participation in the capital of an insurance or reinsurance company. Published in the Official Gazette No. 17, March 30, 2008.

## **1.2. Conditions and Provisions of Bancassurance**

**A. Distribution Conditions:** Insurance companies are permitted to distribute insurance products through banks, financial institutions, and similar networks under Article 252 of Ordinance No. 95-07, amended and supplemented by Law No. 06-04, issued on February 20, 2006.

- **Agreements:**
  - Licensed insurance companies can provide insurance operations via banks or financial institutions under specific distribution agreements, as stipulated in Article 2 of Executive Decree No. 07-153, dated May 22, 2007.
  - Insurance companies must submit any distribution agreement between the company and banks or financial institutions to the Insurance Oversight Committee.
  - The template agreement governing the relationship between the insurance company and the bank or financial institution is prepared by the Algerian Union of Insurance and Reinsurance Companies (UAR).
  - Any amendments or termination of agreements must be presented to the Insurance Oversight Committee.
- **Products:**

- Banks and financial institutions act as agents for insurance companies, distributing insurance products according to the agreements.
- The agreement specifies details such as the list of authorized products, distribution commissions, and the powers granted to agents.
- **Training:**
  - Companies are required to provide specialized training for insurance agents, who must hold university degrees.
  - Agents must complete a training course of no less than 96 hours on the insurance products they will distribute. Upon completion, they receive a professional card issued by the Algerian Union of Insurance Companies.

**B. Bancassurance Provisions:** According to the decision dated August 6, 2007, the products that can be distributed include:

- Personal insurance (e.g., accident, health, and life insurance);
- Loan insurance;
- Simple housing risk insurance;
- Mandatory insurance against catastrophic risks;
- Agricultural risk insurance.

**C. Maximum Participation Rate:** As per the decision dated February 20, 2008:

- Distribution commissions are set as a percentage of the collected premiums.
- The maximum shareholding by banks or financial institutions in the capital of insurance and reinsurance companies is capped at 15%.

## **2. Statistics and Figures for Bancassurance in Algeria (2012–2022)**

Bancassurance in Algeria has shown significant growth, driven by increased collaboration between banks and insurance companies to provide integrated products. This growth reflects the reforms implemented in the financial sector and the strengthening of regulations governing this activity. Bancassurance represents a promising model in Algeria, with insurance companies relying on banks as intermediaries to distribute their products, especially life insurance. This cooperation aims to improve customer access, expand coverage, and broaden distribution networks.

**2.1. Importance of Bancassurance in Algeria:** The significance of bancassurance lies in the following:

- Facilitating customer access to insurance products, particularly in areas with widespread bank presence.

- Enhancing revenue for both banks and insurance companies through joint service offerings.
- Providing life insurance products linked to banking services, such as loans.

**2.2. Bancassurance Figures for the Period 2012–2022:** Bancassurance in Algeria has seen gradual development, with banks and insurance companies working to strengthen their cooperation to offer diverse insurance products through banking networks. The number of agreements between banks and insurance companies is estimated at approximately 30, including agreements such as:

- The partnership between Life Algeria Insurance Company and Banque Extérieure d’Algérie (BEA).
- The agreement between CAARAMA Assurance and Crédit Populaire d’Algérie (CPA).

As of the end of 2023, there are approximately 1,734 bancassurance distribution agencies.

The revenues generated from bancassurance in Algeria during this period are summarized in the following table:

**Table number (03): Revenues from Bancassurance in Algeria (2012–2022)** Unit: Million DZD

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Amount	1,287	1,649	1,963	2,261	2,638	4,756	4,834	5,618	5,555	6,204	7,199

**Source:** Prepared by the researcher based on Ministry of Finance reports for the period 2012–2022.

From the table, we observe a continuous growth in bancassurance figures throughout the study period, reaching approximately **7.2 billion DZD** in 2022, compared to less than **1.3 billion DZD** ten years earlier.

Despite this progress, the bancassurance sector remains underdeveloped due to various challenges and limitations. Significant improvements could be achieved by leveraging the opportunities provided by bancassurance, coupled with certain adjustments and corrections.

### **2.3. Challenges Facing Bancassurance in Algeria**

- **Low Insurance Awareness:** Many customers lack sufficient knowledge about the benefits of bancassurance products, reducing their demand.

- **Limited Product Diversity:** Most insurance products offered through banks are focused on loans, with limited options such as health or retirement insurance.
- **Technological Challenges:** Delays in digitizing operations result in a less efficient customer experience compared to countries adopting advanced technologies.
- **Competition Between Public and Private Companies:** Public companies still dominate the market, restricting the competitive dynamics that could drive innovation in bancassurance.

#### **2.4. Future Opportunities for Bancassurance in Algeria**

- **Digital Expansion:** With the increasing penetration of smartphones and internet services, banks can offer insurance products through apps and digital platforms.
- **Developing Innovative Products:** A focus on health and retirement insurance could attract a broader customer base.
- **Collaboration with Takaful Insurance Companies:** Partnering with Islamic insurance providers can attract customers seeking Sharia-compliant products.
- **Enhancing Customer Experience:** Automation and artificial intelligence can streamline the sales process and improve service delivery.

The bancassurance experience in Algeria is promising but requires a comprehensive strategy to develop digital infrastructure, diversify products, and increase awareness to unlock its full potential.

As a summary evaluation of bancassurance activity in Algeria during the period 2012–2022, the key positive and negative aspects of this experience can be highlighted.

##### **A. Advantages**

- The Algerian bancassurance market remains promising and has good growth potential in the coming years if properly leveraged.
- A well-established and extensive banking infrastructure provides a strong foundation for the expansion and spread of bancassurance activities.
- There are several favorable legislations and legal frameworks that enhance opportunities for collaboration between banks and insurance companies.

##### **B. Disadvantages**

- Limited product offerings, primarily due to regulations, secondly because of agreements between banks and insurance companies, and thirdly due to weak demand resulting from a lack of awareness and insurance culture.

- Insufficient digitization reduces operational efficiency and limits opportunities to strengthen collaboration between banks and insurance companies.
- Weak awareness and insurance culture remain major reasons for the slow growth of this sector.

### **Conclusion**

Bancassurance has become a tangible reality, witnessing significant development in most advanced countries that have pioneered this field. However, in many other countries, including Algeria, its presence remains limited. Despite reforms in the banking and insurance sectors that have allowed the integration of insurance company functions with those of banking institutions, bancassurance services in Algeria are still lagging and slow compared to developed countries. This is due to various obstacles hindering the development of this model, with the most prominent being the lack of awareness and insurance culture among many members of society. This has negatively impacted individuals and institutions in adopting insurance products.

Through this study, we have reached several key findings:

- Bancassurance is one of the strategies insurance companies adopt to expand the distribution channels for their insurance products via banks.
- Bancassurance offers numerous advantages, making it an attractive model for both parties (insurance companies and banks).
- Bancassurance provides a new revenue stream amidst growing competition among financial institutions and declining bank margins, necessitating new services. With financial globalization, banks have adopted the concept of universal banking, which involves engaging in non-traditional activities, including selling insurance products through bancassurance. This allows banks to earn commissions, thereby generating new revenues, which supports the validity of this hypothesis.
- Bancassurance helps expand the activities of insurance companies, reaching a broader customer base at lower costs. Selling insurance products through banks ensures access to bank clients and expands the activities of insurance companies for a commission that is lower than that charged by general agents and brokers. If an insurance company decides to expand its operations, it would need to conduct marketing research to reach new markets, incurring additional costs. This confirms the validity of this hypothesis.
- Bancassurance in Algeria could contribute to the development of the life insurance sector by increasing subscriptions to insurance

contracts, particularly life insurance. The personal insurance sector in Algeria remains weak, with its share of total premiums not exceeding 13% in 2022. After analyzing the bancassurance activities in Algeria, it was found that personal insurance dominates 87% of the products distributed through banks. This is due to the types of products specified in the bancassurance law, most of which fall under personal insurance. This validates the hypothesis.

- The legislative environment is the main obstacle to expanding and developing bancassurance activities in Algeria. Following the issuance of Ordinance 11/03, which amended Law 10/90, and Law 04/06, which amended Ordinance 07/95, Algerian banks were granted the right to distribute insurance products. Subsequently, a series of orders and decisions were issued to regulate bancassurance operations. The legal framework for bancassurance in Algeria is characterized by clarity and organization, serving as a driver for the development of bancassurance in Algeria, which disproves this hypothesis.

### **Recommendations**

- **Diversify and expand the range of bancassurance products** to include other categories such as health insurance and investment insurance.
- **Technical leadership:** It is important to rely on insurance specialists and integrate them at various levels and structures within banks to provide technical and professional support.
- **Design simple insurance products** tailored to the cultural context of society and increase awareness campaigns through media and education to educate customers about the benefits of bancassurance.
- **Increase investment in communication technologies** to enhance customer experience and provide better, faster, and more cost-effective digital services compared to traditional methods.

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