

**Surplus Distribution Policies in Takaful Insurance:****An Analysis of First Insurance Company's Experience in Jordan in Light of the Takaful Efficiency Index (TEI), 2015–2023**Imen Nour El-yakine Kholladi<sup>1,\*</sup>, Kamel Dib<sup>2</sup><sup>1</sup> University of Algiers 3 (Algeria)<sup>2</sup> Centre Universitaire Morsli Abdellah (Tipaza)**سياسات توزيع الفائض في التأمين التكافلي: تحليل تجربة الشركة الأولى للتأمين بالأردن في ضوء****مؤشر كفاءة التأمين التكافلي (TEI) خلال الفترة 2015-2023**إيمان نور اليقين خلادي<sup>1\*</sup>، كمال ديب<sup>2</sup><sup>1</sup> جامعة الجزائر 3 (الجزائر)<sup>2</sup> المركز الجامعي مرسلبي عبد الله (تبيازة)

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**Summary:** This study provides an analysis of the surplus distribution policies of the First Insurance Company in Jordan, within the framework of transparency, operational efficiency, and compliance with Islamic Sharia principles over the period 2015–2023. The research employs both quantitative and qualitative analytical methods, drawing on official financial data and annual reports, and develops a composite indicator the Takaful Efficiency Index (TEI) to assess the company's ability to convert contributions into distributable surpluses. The findings reveal significant fluctuations in performance: while the company demonstrated relative effectiveness in surplus management between 2017 and 2021, a decline in the TEI was observed thereafter, despite continued growth in contributions. This suggests potential shifts in operational policies or rising technical costs. The study also identifies a transparency gap in the disclosure of surplus calculation and distribution mechanisms, limiting the ability to assess fairness and efficiency. Accordingly, the study recommends integrating performance indicators such as the TEI into decision-making processes, enhancing financial disclosure and governance practices, and refining surplus distribution models to align more closely with the social justice objectives of the Takaful system. These findings contribute to academic and professional discourse on Takaful efficiency and offer pathways for developing standardized tools for performance evaluation in this critical sector.

**Keywords:** Takaful Insurance, Surplus Distribution, Takaful Efficiency Index (TEI), Distribution Policies, First Insurance Company in Jordan.

**Jel Classification Codes :** G22; Z12; M41

ملخص: تسعى هذه الدراسة إلى تقديم تحليل لسياسات توزيع الفائض التأميني في شركة "الأولى للتأمين" بالأردن، وذلك في ضوء معايير الشفافية والكفاءة والامتثال لأحكام الشريعة الإسلامية، خلال الفترة (2015–2023). اعتمدت الدراسة على منهجية تحليلية كمية ونوعية، بالاستناد إلى بيانات مالية رسمية وتقارير سنوية، إضافة إلى تطوير مؤشر مركب للكفاءة التكافلية (Takaful Efficiency Index – TEI) بهدف قياس قدرة الشركة على تحويل الاشتراكات إلى فوائض قابلة للتوزيع. وقد أظهرت النتائج تبايناً ملحوظاً في الأداء، حيث حققت الشركة فعالية نسبية في إدارة الفوائض خلال بعض الفترات، خاصة بين عامي 2017 و2021، تلاها تراجع في المؤشر رغم استمرار نمو الاشتراكات، ما يشير إلى تحولات في السياسة التشغيلية أو زيادة في التكاليف. كما أبرزت الدراسة وجود فجوة في الإفصاح حول قواعد احتساب الفائض وتوزيعه، ما يحد من إمكانية تقييم مدى عدالة وفعالية السياسات المتبعة. وتوصي الدراسة بضرورة دمج مؤشرات الأداء، مثل TEI، ضمن عمليات اتخاذ القرار، وتعزيز الإفصاح والحوكمة، وتطوير نماذج توزيع أكثر اتساقاً مع مقاصد التكافل، بما يضمن الاستدامة المالية والعدالة الاجتماعية. تسهم هذه النتائج في إغناء النقاش الأكاديمي والمهني حول كفاءة نماذج التأمين التكافلي، وتفتح آفاقاً لتطوير أدوات معيارية لتقييم الأداء في هذا القطاع الحيوي.

الكلمات المفتاح: تأمين تكافلي، فائض التأمين، مؤشر كفاءة التأمين التكافلي (TEI)، سياسات التوزيع، الشركة الأولى للتأمين بالأردن.

تصنيف JEL : G22; Z12; M41

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## **I- Introduction :**

The management of Takaful insurance surplus constitutes one of the most critical issues receiving growing attention among Islamic insurance companies worldwide. The surplus defined as the remaining portion of participants' contributions after settling claims, expenses, and technical reserves is not merely a financial indicator of performance efficiency. Rather, it reflects the core philosophy of Islamic Takaful, which is founded upon cooperation and mutual risk sharing. It serves as an instrument to achieve justice among stakeholders, without resorting to the logic of commercial profit making.

Managing this surplus serves a dual function: on the one hand, it acts as a financial safeguard that enhances the resilience of the insurance pool against future risks; on the other hand, it enables applications that increase the appeal and competitiveness of the Takaful model such as distributing the surplus to policyholders, reducing future contributions, or reinvesting it in Sharia compliant ventures.

Strategies for surplus management vary widely depending on the legal and regulatory framework of each country, as well as the jurisprudential and economic model adopted by the company and its Sharia Supervisory Board. While some companies prefer distributing the surplus in cash to participants, others opt to allocate it as a reserve or as an investment vehicle to maintain the sustainability of the Takaful fund. However, such diversity may result in substantial differences in financial and operational policies across Takaful institutions, raising legitimate questions regarding their adherence to the spirit of the Takaful model, transparency in disclosure, and fairness in distribution.

### **1. Research Problem:**

Against this background, this article aims to analyze the surplus distribution policies of a Takaful insurance company in Jordan over the period 2015–2023. The company operates within a framework based on the agency model and is subject to the oversight of the Jordan Insurance Directorate. This study stems from the following central research question:

**To what extent are the surplus distribution policies of First Insurance Company in Jordan during the period 2015–2023 efficient and equitable, and to what degree are they consistent with Shariah principles and comparative institutional standards?**

### **2. Objectives of the Study**

This article seeks to offer a comparative analysis of surplus distribution policies in Takaful insurance by examining the case of “First Insurance Company” in Jordan, covering the period from 2015 to 2023. The analysis integrates actual financial data and declared policies with a critical examination of the institutional and Sharia frameworks governing the company's operations. The ultimate objective is to assess the alignment of these policies with the foundational principles of Takaful, identify pathways to enhance distribution efficiency and fairness, and reinforce public trust in the Islamic insurance model.

In light of the study's significance and central question, the main scientific and practical objectives are as follows:

- To analyze the mechanisms of surplus management and distribution at First Insurance Company in Jordan by tracing their development during the period (2015–2023) and evaluating their adherence to Takaful principles and Islamic Sharia.
- To measure the company's efficiency in managing the surplus using quantitative indicators such as the Takaful Efficiency Index (TEI), and to assess the relationship between written contributions and realized surpluses.

- To evaluate changes in the company's financial and technical performance through indicators including market share, contribution growth, and surplus generation.
- To compare the company's adopted surplus distribution policies with theoretical literature and applied practices in other local or regional Takaful institutions, in order to extract best practices and identify key gaps.

### 3. Significance of the Study

The significance of this study lies in its attempt to analyze one of the most complex practical issues in the Takaful insurance industry namely, the policies governing surplus distribution. This issue is not merely a financial or accounting matter; it represents a continuation of the foundational principle of cooperation and mutual support that defines the Takaful model. Surplus distribution is also a critical benchmark for assessing the compliance of Takaful institutions with Islamic legal standards.

The study is significant from multiple perspectives. Theoretically, it addresses a notable gap in the Arabic literature, which has often treated this subject from jurisprudential or descriptive perspectives without engaging in comparative applied financial analysis. Practically, the study presents a real-world case through the analysis of "First Insurance Company" in Jordan, allowing for a grounded evaluation of actual surplus distribution policies against the criteria of efficiency, fairness, and Sharia governance.

Furthermore, the study's comparative approach enables the identification of key regulatory insights that may contribute to broader institutional discussions on developing regional standard frameworks for surplus distribution. This study also comes at a critical time, given the growing economic and financial challenges faced by Takaful operators, emphasizing the urgent need for policy review and reform to ensure sustainability and reinforce participants' confidence.

### 4. Empirical Literature Review:

Surplus distribution policies in the Takaful insurance system represent a critically important theme within Islamic insurance literature, due to their close connection with Shariah principles, their direct impact on participants' trust, operational stability, and the efficiency of financial models. Contemporary literature has produced a diverse and multidisciplinary field covering the legal, financial, ethical, regulatory, and behavioral dimensions of surplus distribution, with a distinct geographic focus on Malaysia, Saudi Arabia, Indonesia, and emerging markets such as Turkey and Bangladesh.

Research on Takaful surplus distribution policies, their regulatory frameworks, underlying financial models, and associated ethical considerations has gained increasing attention in recent years, particularly in light of the rapid global expansion of the Takaful industry and the rising demand for Shariah compliant financial products (Soualhi, 2010; Aslan & Avci, 2021). Since its inception in the late 1970s as an Islamic alternative to conventional insurance, the Takaful sector has undergone significant developments in its operational models and regulatory structures, especially in Malaysia and the Gulf states. These developments reflect advanced levels of governance maturity and increasing market share (Soualhi, 2010; Salleh et al., 2014). The importance of this field lies in its potential to promote financial inclusion, support ethical finance, and fulfill the social welfare objectives of Islamic economics. Takaful contributions have shown steady growth in emerging markets such as Malaysia and Turkey (Aslan & Avci, 2021; Salman, 2021). For instance, by 2019, the Takaful segment held approximately 5% of the total Malaysian insurance market, underscoring its rising economic significance (Aslan & Avci, 2021). Moreover, this growth intersects with the goals of sustainable development and ethical finance, reinforcing the importance of developing surplus distribution mechanisms that align with Shariah principles (Ibrahim & Markom, 2024; Zain et al., 2024).

A central theme in the literature concerns the complexity of surplus distribution within Takaful operations. This includes the legal legitimacy of adopted models, their financial frameworks, and the ethical implications for various stakeholders including participants, operators, and regulatory authorities (Soualhi, 2010; Devi, 2024). Despite the growing body of research in this area, a knowledge gap remains regarding the harmonization of practices across jurisdictions, identification of the optimal financial model that balances stakeholder interests, and integration of ethical governance frameworks into operational processes (Soualhi, 2016; Mokhtar et al., 2015; Albalawi, 2017). Moreover, scholarly opinions diverge on whether surplus should be distributed exclusively to participants or shared with operators, given the variations in jurisprudential interpretations and operational considerations (Soualhi, 2010; Devi, 2024; Soualhi, 2016). This ambiguity has practical consequences, notably in undermining participant trust and hindering the growth of the industry particularly in emerging markets with developing regulatory infrastructures (AlNemer & Arabia, 2015; UDDIN, 2023). Addressing these issues is crucial for enhancing transparency, fairness, and sustainability in the Takaful system (Salman, 2018; Zain et al., 2021).

The conceptual framework adopted in most empirical studies generally revolves around three core dimensions: surplus distribution policies, Shariah compliant legal frameworks, and the financial models governing Takaful operations (Soualhi, 2010; Devi, 2024; Hachloufi & Msiyah, 2017). Surplus distribution refers to the allocation of surpluses generated from underwriting and investment activities related to participants' contributions, within a framework governed by Islamic principles such as *tabarru'* (donation) and *ta'awun* (mutual cooperation) (Soualhi, 2010; Devi, 2024). The legal frameworks provide the regulatory and jurisprudential foundations for such policies, ensuring compliance and safeguarding the rights of stakeholders (UDDIN, 2023; Salleh et al., 2014). Financial models such as *wakalah* (agency) and *mudarabah* (profit sharing) dictate the mechanisms of incentive distribution and risk sharing between participants and operators (Khan, 2019; Ningsih et al., 2022). These conceptual elements interact to form the ethical and operational structure of the Takaful industry, guiding surplus management practices in a way that upholds justice and stakeholder rights (Noordin, 2013; NuHtay & Salman, 2013).

A number of studies have sought to analyze surplus distribution policies in Takaful, the legal and financial frameworks underpinning them, and the ethical dimensions influencing participants, operators, and regulators (Soualhi, 2010; Devi, 2024). These efforts aim to integrate diverse perspectives, extract best practices, and identify areas requiring further research thus contributing to the development of a Takaful system that is more transparent, equitable, and aligned with the *maqasid al-shariah* (higher objectives of Islamic law) (Soualhi, 2016; Mokhtar et al., 2015).

The methodologies employed in existing studies vary widely, including normative legal analysis (Soualhi, 2010; Soualhi, 2016), qualitative interviews (Dikko, 2014), quantitative efficiency models such as stochastic frontier analysis (Kholis & Rakhmawati, 2022), and conceptual theoretical frameworks on governance and financial ethics (Lewis, 2014). These studies reveal diversity in legal structures and operational practices, as well as variation in the degree of adherence to principles of transparency, accountability, and fairness in surplus distribution.

#### 4.1. Compliance of Surplus Distribution with Shariah Principles:

Studies (Soualhi, 2010; Devi, 2024; Soualhi, 2016) consistently affirm that the exclusive distribution of surplus to participants aligns most closely with the spirit of Islamic Shariah. However, limited profit sharing with the operator may be justified in specific circumstances, provided there is a clear contractual and Shariah based rationale. Comparative analyses (Daod et al., 2019; Daud & Arifin, 2018; Albalawi, 2017) have highlighted significant disparities in the legal frameworks governing surplus distribution across different jurisdictions. Malaysia, for instance, is noted for its coherent and well defined regulatory system under the Islamic Financial Services Act

(IFSA 2013), in contrast to the ambiguity or inconsistencies present in countries like Indonesia and Saudi Arabia.

#### 4.2. Efficiency of Financial Models:

The literature has examined various operational models, including *wakalah* (agency), *mudarabah* (profit sharing), and hybrid models, with an emphasis on their ability to balance the interests of participants and operators (Khan, 2019; Htay & Zaharin, 2011). Empirical evidence suggests that the hybrid model combining *wakalah* with surplus sharing is the most efficient in terms of aligning incentives and minimizing adverse selection problems (Ningsih et al., 2022). Furthermore, recent studies (Sheela et al., 2023; Radwan et al., 2020; Mantel, 2022) have shown how modern financial technologies, such as blockchain, can enhance transparency and efficiency in surplus management, particularly in jurisdictions with underdeveloped regulatory infrastructures.

#### 4.3. Ethical Dimensions:

The literature consistently emphasizes that ethical adherence in surplus distribution particularly regarding fairness, transparency, and the avoidance of *gharar* (excessive uncertainty) and injustice is foundational for building stakeholder trust (Salleh et al., 2013; Zain et al., 2021). Other studies (Muhamat, 2022; Ibrahim & Markom, 2024) have linked the integration of corporate social responsibility (CSR) and ESG principles into surplus distribution practices with increased participant loyalty and alignment with sustainable development goals. Conversely, some research (Htay & Salman, 2013; NuHtay & Salman, 2013) indicates that the absence of ethical commitment can lead to a loss of trust, especially when there are concerns about conflicts of interest or perceived unfairness in the distribution process.

#### 4.4. Robustness of Regulatory Frameworks:

Regulatory studies (Thanasegaran & Shaiban, 2014; Salleh et al., 2014) underscore that a clear and comprehensive regulatory framework contributes significantly to the proper governance and oversight of surplus distribution practices. However, certain studies (Aslan & Avci, 2021; UDDIN, 2023) have identified weaknesses in the regulatory environments of some emerging markets, which hinder the development of the Takaful industry and contribute to trust deficits among stakeholders. Other researchers (Lewis, 2014; Zain et al., 2021) advocate for strengthening the role of Shariah supervisory boards and governance mechanisms in monitoring and guiding surplus distribution, ensuring alignment with international standards such as AAOIFI and IFSB.

#### 4.5. Stakeholder Behavior and Perceptions:

The success or failure of surplus distribution policies is closely linked to their acceptance and the degree of trust they inspire among participants, investors, and regulators. Several studies (Mousa, 2025; Mokhtar et al., 2015) demonstrate that fairness and transparency in distribution foster participant loyalty and enhance corporate reputation. Additional research (Salleh et al., 2013; Muhamat, 2022) suggests that the ethical behavior of agents and a commitment to social responsibility play a vital role in consolidating stakeholder trust and long-term engagement. On the other hand, surplus distribution policies perceived as biased toward operators or lacking in transparency may contribute to trust erosion and negatively impact sectoral growth (Htay & Zaharin, 2011; AlNemer & Arabia, 2015).

#### 4.6. Findings of Previous Empirical Studies

\* **Diversity of Applied Models:** The literature highlights significant variation in the application of surplus distribution models across countries and institutions. Some takaful companies adopt the *mudarabah* model, while others rely on the *wakalah* model with or without fees which affects the eligibility of shareholders or participants to receive surplus distributions.

**\*Multiplicity of Operational and Strategic Objectives:** Approaches to surplus distribution differ according to the goals of takaful operators. Some aim to enhance the attractiveness of the takaful product, while others focus on ensuring financial sustainability or reinforcing technical reserves.

**\* Strong Influence of Legal and Regulatory Frameworks:** National regulatory frameworks play a decisive role in defining how the surplus is calculated and distributed. This results in distinct models across countries, such as Saudi Arabia where only a portion of the surplus is distributed versus Jordan, where broader distribution practices are adopted.

**\* The Dilemma of Balancing Participant Rights and Company Performance:** The literature discusses an ongoing dilemma: how to strike a fair balance between the company retaining a portion of the surplus to support its financial position and enabling participants to benefit from it. This issue is closely tied to governance and transparency standards.

**\* Limited Standardization in Disclosure Practices:** A lack of unified disclosure regarding surplus distribution policies has been observed, along with the absence of a shared standardized framework. This limits the ability to make accurate comparisons between companies and countries.

**\* Impact of Distribution Policies on Client Trust and Market Expansion:** Studies indicate that surplus distribution methods have a direct effect on customer trust and loyalty. This, in turn, influences a company's ability to expand and gain greater market share, particularly in emerging markets.

## 5. Theoretical Frameworks Governing Takaful Surplus Distribution Policies

### 5.1. Theoretical Foundations Underpinning Surplus Distribution Policies in Takaful

Surplus distribution policies in Islamic insurance (takaful) represent a central component in the design of the takaful business model, given their implications for balancing the interests of policyholders and those of the operator. These policies are grounded in a combination of theoretical frameworks encompassing the jurisprudential (fiqh-based) and institutional economic dimensions, alongside the financial logic of Islamic finance, which is rooted in the principles of cooperation (ta'awun) and the prohibition of excessive uncertainty (gharar).

From a theoretical standpoint, the insurance surplus in the takaful model is generally regarded as a collective asset owned by the policyholders. It arises from the difference between the contributions received, the claims paid, and the operating costs, without any contractual obligation to distribute it (Archer et al., 2009). Therefore, surplus distribution is not considered an inherent right, but rather a discretionary decision made by the operator based on the overall interest of the participants and the financial sustainability of the fund.

Certain institutional models of takaful - particularly in Malaysia - clearly differentiate between the operator's role under *mudarabah* or *wakalah* contracts and the participants' entitlement to surplus. In these models, surplus distribution is viewed as a mechanism to enhance market appeal and to maintain incentive balance between stakeholders (Billah, 2007; Shahrul et al., 2016).

From the perspective of institutional economics, internal governance systems, transparency mechanisms, and disclosure practices play a pivotal role in shaping distribution decisions especially in light of the potential conflict of interest between policyholders and shareholders. Several studies have highlighted this institutional tension, emphasizing the need to develop codified and transparent policies that ensure distributive justice while preserving financial sustainability (Ismail & Ahmad, 2015).

### 5.2. Jurisprudential and Financial Foundations of Surplus Distribution Policies

The jurisprudential foundation of surplus distribution in takaful is based on the principle of conditional donation (tabarru'), which forms the core of the takaful contract. Under this principle, the contributions paid by participants are considered voluntary donations made in the spirit of mutual cooperation rather than contractual exchanges. This establishes an ethical and interest-based

obligation to manage the funds in a manner that serves the collective welfare of the group, rather than individual benefit (Kamla & Haque, 2019).

Contemporary Islamic legal bodies have differed in their interpretation of how the surplus should be handled. Some scholars argue that it must be returned to policyholders as a surplus from their collective contributions, while others permit its retention, reinvestment in the fund, or partial distribution. In this regard, the rulings of the International Islamic Fiqh Academy (IIFA) and other central Shariah boards serve as authoritative references, while still allowing room for institutional *ijtihad* (interpretive reasoning) (AAOIFI, 2015).

From a financial standpoint, the decision to distribute surplus is tied to the technical performance indicators of the takaful fund, including the loss ratio, administrative expense ratio, and the adequacy of technical reserves. Quantitative studies have shown that surplus distribution policies are sometimes employed to offset the weak competitiveness of takaful products in the market or as a means to attract new participants (Redzuan et al., 2009; Bhatti, 2010).

Moreover, applied models -such as those in Saudi Arabia and Malaysia- demonstrate notable differences in treatment. Companies in Saudi Arabia tend to distribute surplus directly based on predetermined ratios, whereas Malaysian operators often adopt a deferral and partial reinvestment approach aimed at ensuring prudent sustainability (Shahrul et al., 2016).

## **6. From Jurisprudential Foundations to Financial Innovation Frameworks of Surplus Distribution in Takaful: Theory and Practice:**

### **6.1. Theoretical Foundations of Surplus Distribution in Takaful: Between Fiqh based Ijtihad and Contemporary Financial Models**

The literature affirms the critical role of Islamic Shariah principles in shaping surplus distribution policies within the takaful system, highlighting the inherent tension between traditional Islamic jurisprudence and modern financial practices. One of the central theoretical debates concerns the ownership of the surplus. Juristic opinions diverge on whether the surplus is an exclusive right of the participants or whether it can be partially shared with the operator (takaful provider) under specific contractual arrangements. This raises a jurisprudential dilemma regarding the purity of the *tabarru'* (donation) concept and opens the door to hybrid contractual interpretations such as *ju'alah* (reward-based contract) and *wakalah* with surplus sharing (Soualhi, 2010; Devi, 2024; Noordin, 2013).

The literature supports the view that hybrid financial models especially *wakalah* with surplus sharing offer an optimal mechanism for minimizing adverse selection risks and balancing the interests of both participants and operators. This theoretical perspective is rooted in the principles of agency theory and contract theory within Islamic finance and suggests the feasibility of designing incentive structures that promote operational efficiency without compromising Shariah compliance (Khan, 2019; Ningsih et al., 2022; Hachloufi & Msiyah, 2017).

Regulatory comparisons across jurisdictions reveal significant variations in legal and supervisory frameworks, underscoring the theoretical difficulty of establishing unified global governance standards in the takaful sector. This diversity presents a direct challenge to the universal application of Shariah and demands a nuanced understanding of local legal cultures and varying institutional capacities (Daod et al., 2019; Daud & Arifin, 2018; Thanasegaran & Shaiban, 2014).

Ethical considerations also play a crucial theoretical role by emphasizing the importance of operators and agents adhering to Islamic moral values, thereby fostering trust, satisfaction, and commitment among policyholders. This aligns with the principles of Islamic corporate governance, which integrates *shura* (consultation), *hisbah* (accountability), and religious auditing to ensure moral compliance and achieve public interest (*maslahah*) (Salleh et al., 2013; Lewis, 2014; NuHtay & Salman, 2013).

In a related context, the integration of *Maqasid al-Shariah* (objectives of Islamic law) with Environmental, Social, and Governance (ESG) principles offers a novel theoretical perspective for sustainable takaful. This framework contributes to the evolution of Islamic financial theory by embedding ethical dimensions at the heart of global sustainability issues, thus broadening the social function of takaful to encompass social justice and environmental stewardship (Ibrahim & Markom, 2024; Zain et al., 2024).

Furthermore, the emergence of modern technologies such as blockchain and financial technology (Fintech) represents a pivotal theoretical juncture. These innovations offer new opportunities to enhance transparency, efficiency, and Shariah compliance. However, they also necessitate a reevaluation of conventional contract and governance theories to accommodate self-executing ethical frameworks and automated compliance with Islamic principles (Radwan et al., 2020; Mantel, 2022; Jamal, 2024).

## **6.2. Practical Transformations in the Takaful Industry: Shariah Governance, Sustainability, and Technology:**

On the practical level, studies stress the need for transparent and equitable surplus distribution mechanisms that are clearly stipulated in the contracts and conform to Islamic legal principles. Operators are encouraged to adopt hybrid financial models that balance economic incentives with the protection of participants' rights, thereby enhancing market credibility and sustainability (Soualhi, 2010; Devi, 2024; Mokhtar et al., 2015).

Policymakers and regulatory authorities are advised to work towards harmonizing the legal frameworks governing takaful and to learn from advanced markets such as Malaysia, which has developed a centralized Shariah governance system and a comprehensive regulatory oversight structure. Such initiatives help reduce legal inconsistencies, standardize practices, and facilitate cross border takaful operations (Daod et al., 2019; Thanasegaran & Shaiban, 2014; Salleh et al., 2014).

The analysis also underscores the vital role of Shariah supervisory boards and ethical governance structures in maintaining stakeholder trust and ensuring juristic compliance. Regulatory bodies are recommended to enforce stringent standards in this domain and promote the adoption of disclosure guidelines issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) to improve transparency and accountability (Salleh et al., 2013; Zain et al., 2021; Lee et al., 2019).

The ESG-*Maqasid* integration within takaful operations provides a practical avenue for expanding social and environmental impact, attracting ethically oriented investors, and aligning with global sustainable development goals. This requires the development of unified disclosure indicators and the mainstreaming of responsible governance into institutional strategies (Ibrahim & Markom, 2024; Zain et al., 2024).

From a technological perspective, blockchain and fintech solutions offer significant operational advantages, including reduced administrative costs, improved claims management, and immutable recordkeeping. However, deploying such technologies demands addressing regulatory, environmental, and ethical challenges to ensure full Shariah alignment (Radwan et al., 2020; Mantel, 2022; Jamal, 2024).

Finally, human capacity development, public awareness, and the strategic use of digital marketing tools are essential for expanding takaful penetration particularly in emerging markets such as Turkey. It is recommended to establish dedicated regulatory frameworks and implement gradual development strategies to foster a conducive environment for takaful growth (Aslan & Avcı, 2021).

## **II– Methods and Materials:**

### **1. Study Sample**

This study selected First Insurance Company in Jordan and Al Sagr Cooperative Insurance Company (ASEIG) in the Kingdom of Saudi Arabia as its case study sample. These two companies represent leading models in the fields of takaful and cooperative insurance, operating within distinct regulatory environments overseen by two different supervisory authorities: the Central Bank of Jordan and the Saudi Central Bank (SAMA). The selection reflects the diversity of practical experiences in applying Islamic insurance principles within well-defined legal and Shariah frameworks. This enables a deeper examination of surplus distribution practices through the lenses of operational efficiency and contractual fairness.

First Insurance Company is considered one of the most prominent players in the takaful insurance sector in Jordan. It operates under the legal framework regulated by the Central Bank of Jordan and provides services through a Shariah-compliant and economically viable model that balances the interests of policyholders with operational efficiency and fairness in surplus distribution. The company was established in 2007 with a paid-up capital of 24 million Jordanian dinars and began its actual operations in mid-2008. Since its inception, the company has witnessed significant growth in both its financial performance and market share, positioning it as a leader in the local market.

In 2015, the company further strengthened its position by merging with Al Yarmouk Insurance Company, increasing its paid-up capital to 28 million Jordanian dinars. Currently, the company offers its services through a network of 18 branches and sales points across the Kingdom. Thanks to its sound financial strategies, First Insurance has enhanced its financial solvency and maintained a strong credit rating of B++ from AM Best for the seventh consecutive year demonstrating its financial stability and operational resilience (Solidarity, 2025).

### **2. Study Methodology**

This research adopted an analytical, applied, and comparative methodology that integrates both quantitative and qualitative analyses to provide a comprehensive understanding of the surplus distribution policies at First Insurance Company in Jordan during the period 2015–2023. The study relied on secondary data sourced from the company's official annual reports, as well as regulatory and legislative documents issued by supervisory authorities such as the Central Bank of Jordan and the Insurance Commission, in order to construct a reliable and accurate database.

Based on these sources, a time series analysis was conducted across several key indicators, including market share, gross written contributions, growth rates, and surplus values. This analysis allowed for the tracking of trends and the interpretation of structural changes in the company's performance. In addition, the Takaful Efficiency Index (TEI) was calculated to assess the company's ability to convert contributions into distributable surplus an indicator of both operational efficiency and adherence to takaful principles.

The TEI was employed in both internal comparative analysis (between growth rates in contributions and surplus) and external benchmarking against previous empirical literature and studies from Jordan and the broader regional context. The study also incorporated Shariah and regulatory dimensions by evaluating the company's compliance with Shariah governance standards in managing the surplus, while taking into account economic contexts such as the COVID-19 crisis.

Thus, the adopted methodology aims to offer an interpretive framework that complements the quantitative analysis, addressing the institutional, jurisprudential, and regulatory factors shaping surplus distribution mechanisms in the takaful insurance model.

### **III- Results and discussion :**

#### **1. Surplus Management at First Insurance Company:**

First Insurance Company adopts a balanced approach to managing its takaful surplus, aiming to reconcile financial efficiency with strict compliance with Islamic Shariah principles. This equilibrium is manifested in precise mechanisms for determining, distributing, and managing the surplus in a way that safeguards the interests of policyholders and promotes the sustainability of the takaful fund.

The surplus is defined by the company as the remaining amount after deducting paid claims, technical provisions and reserves, as well as operational, administrative, and investment related expenses from the total contributions collected, in addition to investment returns and other revenues. Importantly, the company applies a uniform methodology to surplus calculation, treating all takaful operations as a single unit without distinguishing between different business lines (Solidarity, 2015, p. 8).

Regarding the principles of surplus distribution, First Insurance Company recognizes that the surplus is collectively owned by the policyholders. Shareholders are not entitled to any share of this surplus. Distribution is carried out among all policyholders in proportion to their contributions, without exception even for those who received claims during the fiscal year. This is implemented based on the resolutions of the Shariah Supervisory Board. In cases where distributable amounts remain unclaimed, the company retains these in a separate account under policyholders' rights. With the approval of the Shariah Board, such amounts may be transferred to a Deficit Coverage Reserve (or emergency fund), depending on what the Board deems appropriate (Solidarity, 2015, p. 8).

The company also adheres to a transparent policy regarding dissolution procedures. In the event of liquidation, the surplus for that specific year is distributed to policyholders. Unclaimed surpluses from previous periods, if any, are allocated to charitable causes (*masaref al-khayr*), after settling any outstanding qard hasan loans that the company may have received. Should a deficit occur in the policyholders' fund, the company first utilizes the emergency reserve. If this proves insufficient, the deficit is covered through a qard hasan (benevolent loan) from shareholders, for which a full provision is recorded in the financial statements (Solidarity, 2015, p. 8).

Overall, the surplus management practices of First Insurance Company exemplify an applied model that integrates financial prudence with strict Shariah compliance a paradigm consistent with the core principles of takaful as established in the specialized literature (Al-Darir, 2004; Archer & Karim, 2007). The company's uniform methodology for surplus calculation, which treats all takaful operations as one cohesive unit, ensures fair distribution and avoids preferential treatment between branches or product lines. This aligns with the recommendations of the International Association of Takaful and Islamic Insurance (IA-TI, 2015), which advocates for the unity of the takaful fund as a foundation for sound governance.

Furthermore, the practice of determining surplus only after deducting claims, technical provisions, and operational and investment expenses reflects adherence to Islamic accounting standards, which emphasize the clear segregation between shareholder funds and policyholder funds (AAOIFI, 2010).

In terms of surplus distribution, the company's recognition of collective ownership among policyholders, and its policy to distribute surplus proportionally even to those who received claims demonstrates its adherence to the principle of *tabarru'* (voluntary contribution), which underpins the Shariah legitimacy of takaful contracts. This approach reflects the view of contemporary Islamic jurists who assert that surplus should be treated as a collective right that should not be monopolized or withheld from any group (El-Gamal, 2006).

Additionally, the company respects the Shariah Board’s recommendations in all surplus related decisions. Unclaimed surplus amounts are either retained in dedicated accounts or redirected to reserves or charitable disbursements upon liquidation an institutional embodiment of social solidarity in line with the Islamic ethos (Obaidullah, 2005).

In cases of deficit, the company's policy to rely on the emergency reserve first, followed by a qard hasan from shareholders, with corresponding provisions, is consistent with the Islamic Financial Services Board’s (IFSB, 2009) standards, which promote transparency and financial accountability. Therefore, First Insurance Company’s surplus management model can be considered an advanced implementation that translates the theoretical principles of takaful into sustainable, practical policies, maintaining a careful balance between the rights of policyholders and the financial stability of the institution.

**2 .Market Share Performance:**

Market share is considered one of the most critical strategic indicators for evaluating a company’s position within the industry and its competitive standing relative to other firms operating in the sector. The analysis of market share evolution gains particular significance in light of the growing number of insurance companies, intensifying competition, evolving consumer behavior, and the continuous development of regulatory frameworks. Market share directly reflects a company's ability to attract clients and increase contribution volumes relative to the total market. It also serves as an indicator of the success of its marketing strategies, the diversity of its product offerings, the efficiency of its operational services, and the level of market trust in its performance.

**Table 01: Evolution of Market Share of First Insurance Company in the Jordanian Insurance Market (2015–2023)**

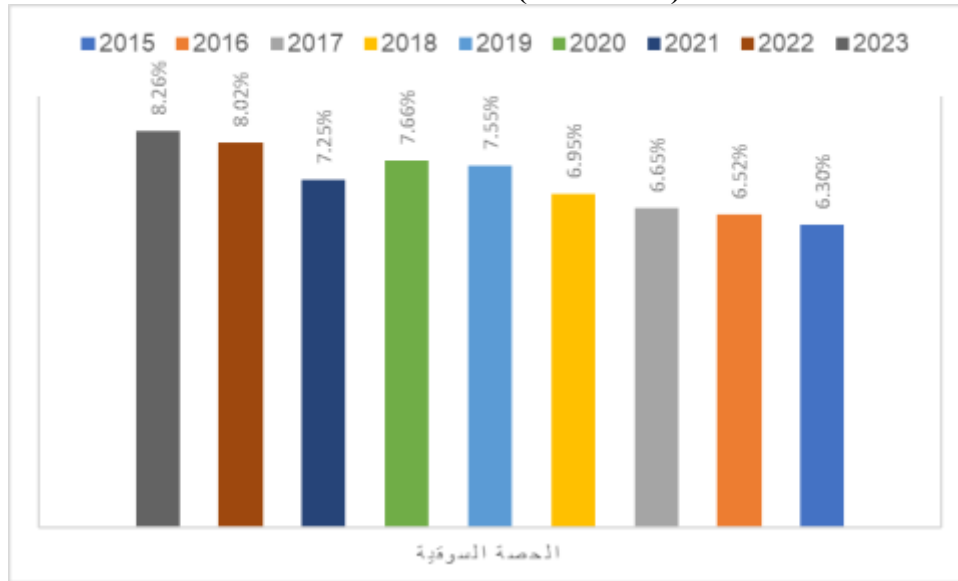
2015	2016	2017	2018	2019	2020	2021	2022	2023
%6.30	%6.52	%6.65	%6.95	%7.55	%7.66	%7.25	%8.02	%8.26

**Source:** Prepared by the researchers based on the Annual Reports of Solidarity – First Insurance Company (2015–2023), retrieved from: <https://www.solidarity.com.jo>, accessed on 05/07/2025.

The data on the evolution of First Insurance Company's market share in the Jordanian insurance sector during the period 2015 to 2023 reveals a clear upward trajectory in the company’s competitive performance. The company’s market share increased from 6.30% in 2015 to 8.26% in 2023, recording a steady annual growth of approximately 0.2 to 0.4 percentage points, with notable jumps observed in 2019 (7.55%) and 2022 (8.02%). This trend reflects a strategic and balanced approach toward enhancing market presence, likely driven by several interrelated factors, such as the improvement of takaful services, the expansion of the participant base, and the development of surplus distribution mechanisms all of which contribute to strengthening client confidence in an increasingly competitive market.

Moreover, this performance could be attributed to internal institutional factors, such as improvements in financial and administrative governance, or to external market dynamics, particularly the growing demand for Shariah-compliant financial products within the Jordanian context. The cumulative increase in market share serves as a critical indicator when examining surplus distribution patterns, considering that the expansion of the participant base and transaction volumes may necessitate a recalibration of surplus distribution standards to support sustainable growth and ensure the satisfaction of all stakeholders involved in the takaful system.

**Figure 01: Evolution of the Market Share of Al-Awla Insurance Company in the Jordanian Insurance Market (2015–2023)**



Source: Prepared by the researchers based on data from Table 01.

**3. Analysis of the Evolution of Gross Written Contributions at Al-Awla Insurance Company:**

The data pertaining to the development of gross written contributions at Al-Awla Insurance Company during the period 2015–2023 reveals a general upward trend, reflecting a notable improvement in the company’s production capacity and market expansion within the Jordanian insurance sector. The value of contributions increased from approximately JOD 26.3 million in 2015 to over JOD 61.0 million in 2023, representing a cumulative growth rate of around 132% over the study period.

It is important to note, however, that the growth trajectory was not entirely linear. A period of relative slowdown was observed between 2019 and 2020, during which contributions slightly declined from JOD 46.4 million to JOD 45.5 million. This temporary dip is likely attributable to the impact of the COVID-19 pandemic and its economic repercussions, which affected the ability of individuals and institutions to maintain insurance premium payments.

**Table 02: Development of Gross Written Contributions at Al-Awla Insurance Company (2015–2023)**

Unit: Jordanian Dinar (JOD)

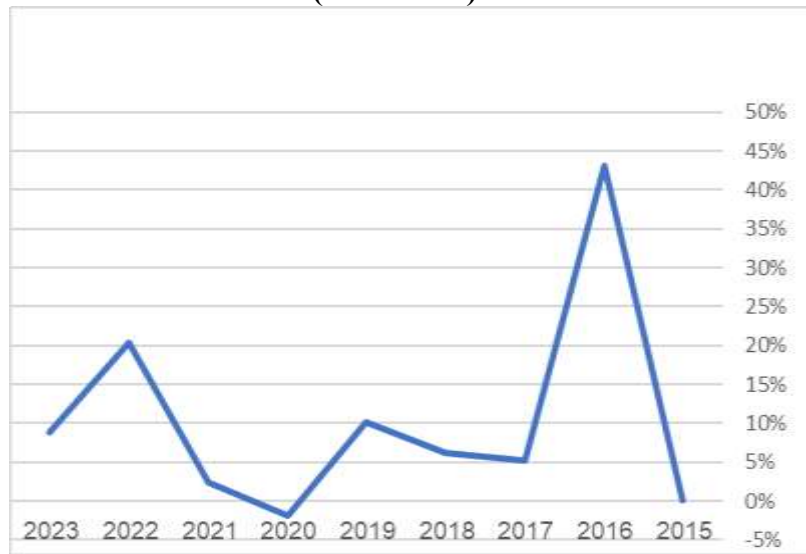
2016	2017	2018	2019	2020	2021	2022	2023
43.09%	5.22%	6.26%	10.09%	-1.89%	2.45%	20.39%	8.84%

Source: Prepared by the researchers based on the Annual Reports of Solidarity – First Insurance Company (2015–2023), retrieved from: <https://www.solidarity.com.jo>, accessed on 05/07/2025.

Despite this temporary decline, contributions resumed their growth trajectory starting in 2021, with a notable surge in both 2022 and 2023, recording annual growth rates of 20.4% and 8.8%, respectively. These figures point to a regained market confidence and a strengthening of the company’s marketing capabilities. The results also reflect the company’s ability to adapt its insurance offerings to align with actual market demand, particularly within a dynamic regulatory environment and an increasingly competitive Takaful sector in Jordan.

This continued growth in contributions supports the expansion of the company’s operational capital and contributes to improved underwriting margins and the ability to fulfill policyholders’ obligations factors that are central to the sustainability of the Takaful insurance model.

**Figure 02: Development of Gross Written Contributions at Al-Awla Insurance Company (2015–2023)**



**Source:** Prepared by the researchers based on Table 02.

The growth rate of gross written contributions at Al-Awla Insurance Company over the period 2015–2023 indicates a nonlinear growth pattern that reflects the company’s responsiveness to economic and regulatory changes, as well as its competitive positioning within the Jordanian Takaful market. A remarkable increase was recorded in 2016, with a growth rate of 43.09% compared to 2015, suggesting significant expansion in the policyholder base or improvements in marketing and distribution strategies.

However, the growth rate gradually slowed in subsequent years, reaching 5.22% in 2017 and 6.26% in 2018, before rising again to 10.09% in 2019. This suggests a relatively stable performance and the company’s continued capacity for expansion, even in the face of potential market challenges.

**4. Analysis of the Development of the Takaful Surplus at Al-Awla Insurance Company:**

In Takaful insurance companies, the Takaful surplus represents a central indicator of risk management efficiency and reserve adequacy. It also serves as one of the most important benchmarks for evaluating a company’s adherence to Takaful principles particularly the principle of fairness in the relationship between participants and the company. The development of the surplus reflects the company’s ability to generate excess from insurance operations after fulfilling all obligations, without relying on external funding sources or shareholders. This section aims to provide a comprehensive overview of Al-Awla Insurance Company’s performance in managing the surplus during the period 2015–2023.

**Table 04: Development of the Takaful Surplus at Al-Awla Insurance Company (2015–2023)**

*Unit: Jordanian Dinar (JOD)*

2015	2016	2017	2018	2019	2020	2021	2022	2023
29677	38675	5647	7749	1,992	0	10749	8991	10158

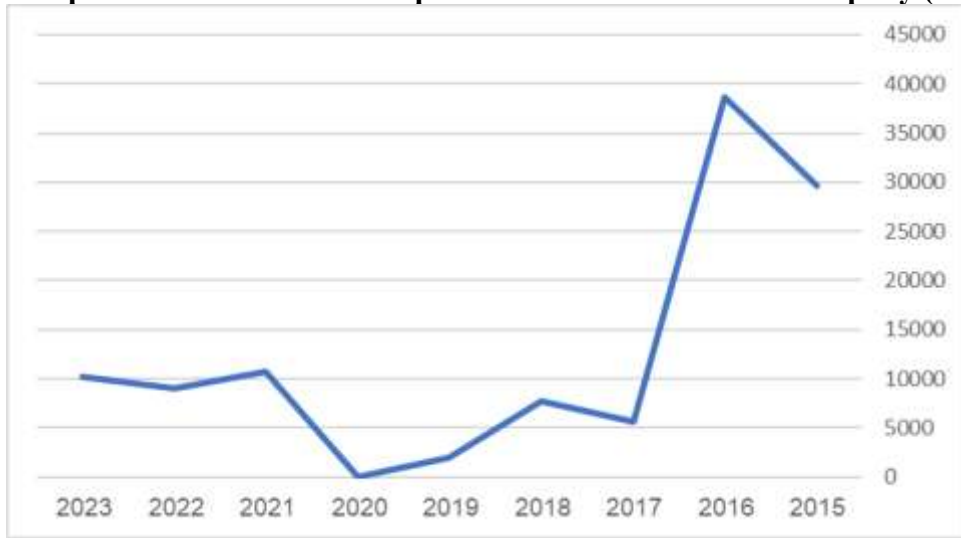
**Source:** Prepared by the researchers based on the data in Table 02.

Based on the data presented in Table (04), which covers the development of the policyholders’ surplus at Al-Awla Insurance Company over the 2015–2023 period, an analysis can be made highlighting the company’s ability to strike a balance between fulfilling insurance obligations and maximizing the Takaful surplus a key metric in assessing financial management efficiency and adherence to Takaful ethics.

The company’s performance during this period reveals noticeable volatility in the surplus, reflecting its sensitivity to various internal and external factors. These include operational policies, portfolio management, broader macroeconomic dynamics, and unforeseen circumstances. In 2015, the company achieved a surplus of JOD 29,677 after income tax considered a positive outcome given that the year preceded the finalization of the merger with Yarmouk Insurance Company. The pretax surplus for the same year was JOD 39,049.

The merger and the associated tax exemption privileges had a clear impact on 2016 results, with the surplus rising to JOD 38,675 indicating direct benefits from institutional expansion. Mergers are often accompanied by increased revenues and improved cost efficiency, particularly when coupled with tax exemptions, as was the case here: the company obtained a three-year tax exemption, which helped preserve the surplus for the policyholders’ fund without erosion by tax liabilities.

**Figure 04: Development of the Takaful Surplus at Al-Awla Insurance Company (2015–2023)**



**Source:** Prepared by the researchers based on Table 04.

However, 2017 marked a significant downturn, with the surplus dropping to only JOD 5,647. This decline can be attributed to multiple factors, including reduced purchasing power in the Jordanian market, intensified competition between Takaful and conventional insurers, and sluggish macroeconomic growth a key driver of demand for insurance services. In 2018, the surplus saw a slight recovery to JOD 7,749, partly due to targeted marketing strategies aimed at SMEs and product development tailored to market needs, which improved efficiency in managing premiums and claims.

The downward trend resumed in 2019, with the surplus falling to JOD 1,992, and disappeared entirely in 2020, recording a deficit of JOD 141,865. The company had to cover this shortfall from the deficit reserve an action that reflects its commitment to protecting policyholders’ rights despite challenges. This deterioration is directly linked to the economic fallout from the COVID 19 pandemic, which reduced business activity and increased health claims, coupled with a drop in investment returns amid globally declining yields. These pressures jointly strained both revenues and expenditures.

Signs of recovery began to emerge in 2021, with a surplus of JOD 10,749, indicating a degree of success in adapting to post pandemic realities through operational cost adjustments and revised marketing strategies. The company maintained this relative stability in 2022 and 2023, recording surpluses of JOD 8,991 and JOD 10,158, respectively. While these figures suggest a gradual return to financial balance, they still fall short of the optimal levels achieved in 2016.

It is worth noting that, according to its annual reports, the company follows a conservative policy of allocating the entire surplus as a reserve to cover potential deficits. This is implemented with the approval of both the Board of Directors and the Sharia Supervisory Board. Such an approach demonstrates clear adherence to the Sharia and regulatory frameworks governing Takaful models. The surplus is not automatically distributed to policyholders but is rather recycled to support the financial sustainability of the Takaful fund and to meet future obligations an approach that reflects a strategic understanding of the surplus as a financial protection mechanism rather than a distributable return.

In light of the foregoing, it can be concluded that Al-Awla Insurance Company has demonstrated relative resilience in responding to market fluctuations and crisis challenges. However, its performance in surplus management still requires improvement to reach higher levels of efficiency, better capitalize on positive periods, and strengthen fund reserves in pursuit of long-term stability for policyholders.

### **5 .Analysis of the Relationship between the Growth of Gross Written Contributions and the Surplus Distribution Policies at Al-Awla Insurance Company – Jordan**

Analyzing the development of gross written contributions (GWCs) and their annual growth rates is a fundamental dimension in understanding surplus distribution policies in Takaful insurance companies. This is because it directly reflects the company's ability to ensure financial sustainability and maintain a balanced relationship between the rights of participants and shareholders. In the case of Al Awla Insurance Company in Jordan, this indicator emerges as a core explanatory pillar in assessing the alignment of surplus distribution policies with the company's actual performance.

During the period 2015–2023, gross written contributions recorded consistent growth in most years, rising from JOD 26.3 million in 2015 to over JOD 61 million in 2023. This represents an overall increase of more than 130% over nine years, signaling robust dynamics in expanding the participant base and reinforcing market trust in the company's Takaful model.

However, the analysis of annual growth rates reveals notable fluctuations that suggest the company's performance was affected by both structural and circumstantial factors. The peak growth rate occurred in 2016 (43.09%), followed by a significant slowdown in subsequent years. A particularly negative growth was registered in 2020 (-1.89%) amid the COVID-19 pandemic, which had broad reached impacts across the financial sector. While growth resumed in 2021 and 2022, the nature of this recovery was asymmetrical, raising questions about the responsiveness and equity of the surplus distribution policies under dynamic market conditions.

This inconsistent trajectory presents important research challenges regarding the proportional relationship between the growth in contributions and the consistency of surplus distribution policies. According to Takaful literature, the fair distribution of surplus must account for a set of principles, most notably the concept of "cumulative equity" among participants. This means that a participant's share of the surplus should correspond to their actual contribution and risk-bearing over the policy period (Al-Darir, 2004; IFSB, 2009). Consequently, sustained and positive growth in contributions should, in principle, be translated into a corresponding improvement in the Takaful account surplus and, therefore, in participant distributions unless offset by factors such as high claims or poor investment performance.

**Table 05: Horizontal Comparison between the Growth of Contributions and the Growth of the Takaful Surplus at Al-Awla Insurance Company (2015–2023)**

	2016	2017	2018	2019	2020	2021	2022	2023
<b>Contribution Growth(%)</b>	43.09%	5.22%	6.26%	10.09%	-1.89%	2.45%	20.39%	8.84%
<b>Surplus Growth(%)</b>	%35.14	- %10.45	%55.81	%22.08	%3.46	%88.22	%9.57-	%7.25-
<b>Gap (Surplus Growth - Contribution Growth)</b>	7.95-	15.67-	49.55+	11.99+	5.35+	85.77+	29.96-	16.09-

**Source:** Compiled by the researchers based on prior data.

The wide disparities between the growth of contributions and that of the surplus highlight that the company’s performance is not linearly tied to the volume of contributions. For instance, 2021 marks a significant leap in surplus growth (88.22%) despite only a marginal increase in contributions (2.45%), which may reflect a major improvement in operational efficiency or a positive shift in surplus distribution policy. Conversely, the years 2022 and 2023 show a decline in the surplus despite continued growth in contributions, prompting critical questions regarding cost structures, claim ratios, or possible restructuring in financial or surplus sharing strategies.

### 6. Analyzing the Performance of Al-Awla Insurance Company Through the Takaful Efficiency Index (TEI)

The **Takaful Efficiency Index (TEI)** is a standardized analytical tool used to assess a Takaful insurer’s ability to convert gross written contributions into a distributable surplus. This metric serves as a key indicator of both financial and operational performance within the boundaries of Shariah compliance. The index is calculated using the following formula:

$$TEI = \frac{\text{Surplus Distributed}}{\text{Total Contributions}}$$

This index reflects the percentage of financial input (contributions) that is effectively transformed into direct benefits for participants (surplus), thus enabling longitudinal monitoring of the efficiency in managing resources within the Takaful fund. It also offers a basis for evaluating the extent to which principles of fairness and transparency are upheld in the surplus distribution process.

Conceptually, the TEI draws from Islamic finance efficiency frameworks, which assess institutional performance based on two key dimensions: Shariah compliance and the realization of economic and social efficiency (Archer & Karim, 2007; IFSB, 2009). Additionally, it falls under intertemporal benchmarking techniques, which facilitate the study of performance trends, deviation analysis, and policy impact assessment whether due to internal strategy shifts or external economic pressures.

In the context of Takaful, the TEI sheds light on the balance between financial efficiency and Takaful’s core objectives. It functions as an internal performance and governance assessment tool that can be adopted by regulators, boards of directors, and Shariah supervisory boards. Employing this index can also help diagnose discrepancies between growing contribution volumes and stagnating or declining surplus distributions highlighting the need for more equitable and transparent distribution policies. As such, the TEI is considered a central metric for developing a comparative framework for surplus policy evaluation across or within Takaful markets.

**Table 06: Takaful Efficiency Index (TEI) – Al-Awla Insurance Company (2015–2023)**

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Contributions (JOD)	26326693	37670109	39635402	42115802	46365755	45490250	46604566	56107691	61070040
Surplus Distributed (JOD)	29677	38675	5647	7749	1992	0	10749	8991	10158
TEI (%)	1.37	1.37	1.10	1.61	1.79	1.89	3.47	2.60	2.22

**Source:** Compiled by the researchers based on previous data.

contributions into distributable surplus. This directly reflects the company's financial performance and efficiency in managing operational costs and risk exposures. As the ratio increases, it signals a higher effectiveness in Takaful operations and better returns to policyholders.

Al-Awla Insurance's TEI data from 2017 to 2023 indicate a notable improvement in the index during the earlier part of this period from 1.10% in 2017 to a peak of 3.47% in 2021. This upward trend is a positive sign of enhanced financial performance and operational efficiency, potentially driven by lower claims ratios, better cost management, or improved investment outcomes.

However, the subsequent decline in the index in 2022 (2.60%) and 2023 (2.22%), despite substantial contribution growth (20.39% in 2022 and 8.84% in 2023), points to underlying issues. These may include increased operational expenses, higher claim obligations, or strategic adjustments in surplus distribution policies such as retaining more funds to bolster reserves or address regulatory challenges. Alternatively, this decline may be attributed to market related investment losses that impacted the Takaful account's net performance.

A temporal analysis of the TEI suggests that this indicator should not be viewed solely as a financial metric. Instead, it reflects broader strategic decisions such as how the company engages with participants, its commitment to surplus distribution, and how its practices adapt to changes in the regulatory and legal environment. This underlines the importance of conducting benchmarking against other Takaful firms in Jordan or comparable regional markets to determine whether the fluctuations in Al-Awla's TEI are company specific or reflective of broader industry trends.

In this regard, Al-Awla could draw insights from regional Takaful operators that have adopted more flexible and performance linked surplus distribution strategies. Recent studies show that some companies in Malaysia and Bahrain align their surplus distribution with net contribution returns after claim deductions, thereby ensuring more equitable returns to participants (Shahrullah, 2020; Kamaruddin et al., 2018). This practice not only reinforces the credibility of the Takaful model but also strengthens participant trust especially in financial inclusion contexts where Shariah compliant products serve underserved segments.

In conclusion, any analysis of surplus distribution at Al-Awla Insurance must be contextualized within the broader dynamics of contribution growth. Integrating additional performance indicators such as retention ratios, claims ratios, and investment returns on the Takaful account would enable a deeper comparative assessment of whether current policies align with Takaful's foundational principles, particularly cooperation and risk sharing.

A holistic evaluation of surplus distribution should adopt an explanatory model that incorporates underwriting performance, risk exposure, Takaful fund liquidity, and the Shariah and governance frameworks guiding distribution decisions. This should be aligned with global best practices such as those recommended by the Islamic Financial Services Board (IFSB, 2022).

Studies such as Abdullah et al. (2012) and Alharbi (2018) affirm that surplus levels are not always proportional to contribution growth, but are significantly affected by technical reserves, claim ratios, and investment income. Therefore, shifting the analytical lens toward causal linkages between indicators can yield strategic recommendations for realigning company policies with Takaful's equity objectives.

Furthermore, this study's quantitative findings align with the literature, including Shafii et al. (2013) and Ismail & Latiff (2014), which emphasize operational efficiency as a key determinant of

surplus levels. The observed improvement in TEI between 2017–2021 signals relative success in transforming contributions into surplus likely due to enhanced risk and claims management. Conversely, the post-2022 decline aligns with Yaacob et al. (2020), who found that some Takaful providers adjust their distribution policies under financial or regulatory pressure, leading to a decoupling between contribution growth and surplus generation.

From a Shariah compliance perspective, the results resonate with Obaidullah (2015), who highlights the importance of balancing the interests of policyholders and shareholders. The study found periods where the company adopted a more conservative distribution approach, which might reflect prudent financial management but also raises questions about transparency and the internal decision-making process at the board level.

#### **IV- Conclusion:**

In light of the analysis of surplus distribution policies at Al-Awla Insurance Company in Jordan during the period (2015–2023), this study reveals a set of strategic indicators that reflect a delicate balance between financial efficiency and strict adherence to Takaful principles. The analysis of operational indicators including market share, gross contributions, and insurance surplus demonstrated a generally positive trend, despite fluctuations resulting from economic and health crises. The Takaful Efficiency Index (TEI) showed a notable improvement in the company's ability to convert contributions into surplus during certain years, especially in 2021, before experiencing a relative decline in subsequent years. This decline raises questions regarding internal cost structures or shifts in surplus distribution policy.

The study also found that the company adopts a conservative policy in managing its surplus by recycling it into deficit reserves instead of distributing it, highlighting its prioritization of financial sustainability and Sharia compliant governance. Compared with previous literature, it becomes evident that the company represents an advanced model in the practical implementation of jurisprudential principles such as *tabarru'* (donation), justice, and institutional solidarity. It also aligns with international governance standards (e.g., IFSB and AAOIFI), although certain areas such as distribution mechanisms and communication with participants still require further development and transparency.

##### **The analysis yielded several key conclusions:**

- **Intermittent effectiveness in surplus management:** The composite TEI indicates that the company was relatively successful in improving its performance between 2017 and 2021, reflecting its ability to convert contributions into distributable surplus. This suggests prudent financial management during that phase.
- **Structural shifts post 2022:** Although contributions continued to grow after 2022, the TEI declined. This may be attributed to increased technical costs or a shift toward more conservative surplus distribution policies, underscoring the need to reassess the company's operational and governance strategies.
- **Need for enhanced transparency in distribution:** The study identified unexplained disparities between the growth in contributions and the development of distributed surplus. This highlights the necessity of greater disclosure and clarity in the methods of surplus calculation and allocation ratios, based on consistent and equitable standards.
- **Importance of integrating performance indicators in decision making:** The findings suggest that relying on indices like the TEI can provide valuable tools for assessing current policies and making more accurate and fair decisions. It is recommended that such

indicators be institutionalized as benchmarking tools to evaluate the efficiency of Takaful operators in the region.

- **Call for alignment between profitability and Sharia objectives:** The need arises for a distribution model that reconciles financial efficiency with the socio ethical objectives of Takaful philosophy, particularly in contexts facing regulatory pressures and increasing competition from conventional insurers.

In conclusion, this study underscores the importance of expanding research on surplus distribution policies within Arab Takaful companies especially amid regulatory transformations and growing demand for Sharia compliant financial products. It recommends strengthening disclosure practices and developing qualitative performance indicators that distinguish between operational efficiency and Sharia adherence. Such improvements may lead to more sustainable and equitable models of surplus distribution within the broader Takaful ecosystem.

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