Investment and Solvency Margin in Algerian Insurance Companies: An Analytical Study for the Period 2013-2022

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Abstract

This study aims to analyze the investments of Algerian insurance companies and their solvency margin during the period 2013-2022. The focus is on the legal and regulatory frameworks affecting investment decisions within these companies. The importance of the study lies in understanding how insurance companies allocate their resources and manage risks to achieve high returns and enhance financial solvency.

A combination of descriptive and analytical methods was employed in this study, involving the collection of financial data and annual reports issued by the Ministry of Finance.

The study found that the volume of investments has continuously developed over the period, increasing from approximately 200 billion DZD in 2013 to more than 391 billion DZD in 2022. The most preferred investment channel is government securities, as the Algerian legislator has set a minimum threshold of 50%. However, the contribution of these investments to national investment remains very weak, not exceeding 5% throughout the study period. Furthermore, all Algerian insurance companies comply with the minimum solvency margin, whether based on technical reserves or on issued premiums throughout the study years.

Keywords: Insurance Companies, Investments, Solvency Margin, Algerian Insurance Sector.

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Introduction:

Investment is one of the pillars of the insurance process, as insurance companies seek to employ and invest the accumulated funds to achieve returns that exceed their liabilities. Insurance companies invest their funds according to their financial position, which varies depending on the type of insurance practiced on one hand and the prevailing regulatory and administrative laws on the other hand. Government authorities overseeing the insurance sector intervene to protect the interests of policyholders by enacting laws that regulate company investments, ensuring the protection of policyholders' rights.

Insurance companies are divided into two types: life insurance companies and non-life insurance companies. The former are considered a major source of funding as they collect and invest individuals' savings in various economic sectors, due to the nature of their long-term, savings-oriented insurance contracts. In contrast, non-life insurance companies do not accumulate funds like life insurance companies due to the nature of their short-term, compensation-oriented contracts. Insurance companies play a major role in financial markets through their investments, aiming to achieve sustainable returns and maintain financial stability.

Given the focus of this study on understanding investment patterns and the regulatory environment and their impact on the investment volume of insurance companies in Algeria, the following question is posed:

- What is the current status of investment and solvency margin in Algerian insurance companies during the period 2013-2022?

Importance of the Study:

The importance of this study lies in understanding how investments are managed to enhance the financial solvency of insurance companies in Algeria. This understanding is crucial for policymakers, regulators, and stakeholders in the insurance industry to develop strategies that enhance the sector's contribution to national economic investment and the financial stability of the Algerian insurance sector.

Objectives of the Study:

This study aims to analyze the investment trends of Algerian insurance companies and their solvency margin during the period 2013-2022, relying on the examination of the legal and economic frameworks governing these investments and assessing their impact on solvency margin and financial stability within these companies.

Methodology:

To address the posed question, a descriptive and analytical approach was adopted by exploring various concepts and laws related to investment in the Algerian insurance sector. This includes analyzing investment figures and solvency margins of insurance companies during the period 2013-2022.

Structure of the Study:

To cover all aspects of the topic, the study is divided into three main chapters:

Chapter one: Financial Activities of Insurance Companies

Chapter two: Contribution of the Insurance Sector to Investment for the Period 2013-2022

Chapter three: Solvency Margin of Algerian Insurance Sector Companies for the Period 2013-2022

Chapter one: Financial Activities of Insurance Companies

Insurance companies have a dual role: they provide insurance services and also function as financial institutions by investing their funds in various economic fields.

First: Sources of Insurance Companies' Funds:

1. **Shareholders' Equity:** This includes paid-up capital and capital reserves created from retained earnings by the insurance company, either to strengthen its financial position or to meet unexpected future conditions such as disasters. This money represents the final safety margin for policyholders to receive their insurance benefits and constitutes a very small proportion of the funds allocated for investment in insurance companies.

2. **Policyholders' Funds:** These are accumulated from insurance premiums and are divided into:

2.1. **Life Insurance Reserves:** Known as technical reserves for life insurance and wealth accumulation, containing long-term reserves due to the nature of long-term insurance contracts.

2.2. **General Insurance Funds:** Consisting of:

a) **Outstanding Risk Reserves:** Amounts held from premiums of general insurance policies paid in advance for future years to cover current year's risks. Although these funds are short-term by nature, they increase and accumulate over time, becoming a source for long-term investments.

b) **Reserves for Settling Claims:** Funds reserved for claims that occurred during the current year but are yet to be settled, to be addressed in future years.

c) **Loss Fluctuation Reserves:** These reserves are set aside in years with good results to manage any unexpected fluctuations in loss rates, when actual loss rates exceed expected loss rates for each branch of general insurance.

2.3. **Non-Insurance-Related Funds:** Referred to as other non-technical reserves set aside to cover specific losses. They include amounts due to insurance companies, reinsurance companies, and producing agents. These funds are short-term and represent a very small percentage compared to other resources.

Second: Areas of Investment in Insurance Companies:

Investing the funds of insurance companies is one of the major challenges they face, as they must seek out investment opportunities that are less risky and offer higher returns.

1. **Investment in Real Estate and Land:** Insurance companies invest a significant portion of their funds either by purchasing land or constructing buildings, which provides them with guaranteed annual revenues. The main advantage of this investment area is its security, but it does not offer liquidity or profitability. The primary objective of investing in this type is to invest reserve funds, especially those related to life insurance, in stable and productive investments. There is a specific section for real estate investments in the accounting records of insurance companies (2).
2. **Investment in Securities:** The company's management is responsible for its investment policy in securities and monitoring market prices. The main securities in which companies invest their funds are government securities such as treasury bills. Investment in these areas is unrestricted, as bond investments are a leading sector for most life insurance companies, representing one of the largest investment sectors in bonds and treasury bills issued by other

companies. Investments in stocks involve some speculation, so most insurance companies avoid investing in this category. However, some argue that investing in stocks provides real security compared to the nominal security offered by bonds.

3. **Providing Loans and Advances:** This is a type of financial investment where instead of purchasing bonds or depositing funds in banks, an insurance company can act as a bank itself. Certain life insurance policies stipulate the possibility of providing loans to policyholders up to a certain percentage of the contract's value, with an interest rate (3). In providing loans to policyholders, insurance companies review applications and set advance percentages (4).
4. **Deposits:** This involves investing funds in banks for a specified term. Insurance companies can use their excess liquidity when there are no alternative investment opportunities or when high interest rates are offered on these deposits. This investment is characterized by three properties: security, profitability, and liquidity.
5. **Mortgages:** Mortgages on buildings, hotels, shops, and offices represent a significant portion of the total investments of life insurance companies. The continuous rise in inflation rates and interest rate fluctuations has led insurance companies to seek investments with flexible returns. This means the insurance company provides loans for constructing various projects instead of owning them, in exchange for a portion of the project's return and interest on the loan (5).

Chapter two: Contribution of the Insurance Sector to Investment for the Period 2013-2022

This section will examine the investments of insurance companies and their contribution to increasing the national investment rate.

First: Investments of Insurance Companies:

To protect the rights of policyholders and beneficiaries, the state monitors insurance activities, requiring insurance and reinsurance companies to record in their balance sheets the regulated liabilities made up of regulated reserves and technical reserves. These reserves aim to enhance the insurance company's ability to meet its obligations. These liabilities are matched in the insurance company's balance sheet by equivalent asset components, including (6):

1. **Government Securities:** These include treasury bonds, deposits with the treasury, and securities issued or guaranteed by the government.
2. **Other Transferable Securities and Similar Bonds:** These include bonds and obligations issued by insurance and reinsurance companies and other financial institutions accredited in Algeria, bonds and obligations issued under government agreements by non-resident insurance companies, and bonds and obligations issued by Algerian economic institutions.
3. **Real Estate Assets:** These include built properties and land owned in Algeria, and other real estate rights in Algeria.
4. **Other Investments:** These include the money market, deposits with cedents, time deposits with banks, and any other type of investment specified by current legislation and regulation.

In 2016, a new decision was issued regarding the representation of regulated liabilities for insurance and/or reinsurance companies, amending Decision No. 01 dated January 7, 2002, which amended Decision No. 07 dated October 2, 1996. This decision specifies the minimum percentages to be allocated to each type of investment made by insurance and/or reinsurance companies, as follows (7):

- At least 50% in government securities, with half represented by medium and long-term securities, and the remainder represented by other acceptable assets.
- Investments in deposits with the same bank cannot exceed 25% of the regulated liabilities of insurance and/or reinsurance companies.
- Investments in buildings or land in Algeria not encumbered by real rights cannot exceed 10% of the regulated liabilities of insurance and/or reinsurance companies, with the total real estate assets not exceeding 40% of the regulated liabilities of the company.
- Except for government-issued or guaranteed bonds, investments in bonds from the same issuer cannot exceed 5% of the regulated liabilities of insurance and/or reinsurance companies.
- The investment of an insurance company and/or reinsurance company in the social capital of a company cannot exceed 50% of the amount of that social capital and 5% of the regulated liabilities of insurance and/or reinsurance companies.

These changes aim to protect policyholders' rights and maintain the ability of insurance companies to meet their financial obligations to them.

We will review the investments of the insurance sector in the following table.

Table 1: Development of the Volume of Investments in the Insurance Sector for the Period 2013/2022 Unit: Million DZD

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	Years
214677	195464	191447	184555	162166	149981	138959	113431	94800	80426	Government Securities
27364	25581	25094	23267	23311	22647	24356	20915	19760	17293	Marketable Securities
68117	61066	49602	45593	43938	45804	46454	69960	69885	66629	Time Deposits
20106	19947	17726	14653	14832	12411	12673	12514	10189	8597	Deposits with Cedents
61497	58675	56365	55325	44992	43032	42918	35447	29255	27824	Real Estate Assets
391760	360732	340234	323394	289239	273875	265360	252267	223888	200770	Total

Source: Prepared by the researcher based on reports from the Directorate of Insurance at the Ministry of Finance 2013/2022.

From the table, we observe that insurance companies' investments have been continuously growing throughout the study period, increasing from 200.7 billion DZD in 2013 to 391.7 billion DZD in 2022. This growth is driven by two types of investments: government securities and time deposits, which together account for between 70-80% of total investments in most years.

In 2002, a decision was issued on January 7, 2002, amending and supplementing the decision dated October 2, 1996, which defines the minimum percentages to be allocated to each type of investment by insurance and/or reinsurance companies. The changes in percentages are as follows:

- At least 50% for government securities (previously 65%), with half allocated to medium and long-term securities (previously 40%);
- The remaining part of the regulated obligations should be allocated to other asset categories according to market opportunities, with transferable securities or similar securities issued by non-listed Algerian companies not exceeding 20%;
- Real estate assets held by insurance and/or reinsurance companies located within the national territory and generating acceptable financial returns are considered in representing the regulated obligations.

Government securities have consistently occupied the largest share of investments throughout the period, due to legal requirements mandating insurance companies to invest half of their investments in government securities. In 2022, their amount exceeded 214.6 billion DZD. However, their percentage has ranged between 52-57% over the last seven years, following the decision dated May 14, 2016, concerning the representation of regulated obligations by insurance and/or reinsurance companies.

Companies have shifted towards investing in time deposits due to their high returns and security, representing 14-17% of the total sector investments, with a share of 68.1 billion DZD in 2022.

Transferable securities have maintained a low share throughout the period, not exceeding 8% at best, due to the weak stock market activity and limited listed companies. In 2022, insurance companies' investments in these securities reached 27.3 billion DZD, the highest recorded figure.

Since 2002, real estate assets have been accepted in representing regulated obligations and became part of insurance companies' investments starting from 2006, capturing a share of 15-18% of the total investments. They achieved good figures during this period, reaching 61.5 billion DZD in 2022, with their share remaining relatively stable despite the decision dated May 14, 2016, stipulating that investments in real estate should not exceed 10% of the amount of regulated obligations.

As for the deposits with cedents (representing the reinsurance funds of the CCR company deposited with the cedent companies), despite their growth during this period, their share remains low, not exceeding 6% at best, which was recorded in 2022 with an amount of 20.1 billion DZD.

It is noted that insurance companies' investments are dominated by two types of investments: government securities and time deposits, which together constitute between 65-75% of total investments throughout the study period. This is due to legal provisions defining the percentages for each type of investment, as well as insurance companies' preferences for lower-risk and guaranteed-return investments represented by time deposits and real estate assets.

Table 2: Evolution of Investment Volume (excluding real estate assets) by Companies for the period 2013/2022

Unit: Million DZD

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	Years
50503	48420	46866	45834	44633	46429	50810	48586	47586	45513	SAA
21081	20429	18267	20612	20335	19539	20590	22341	21960	21740	CAAR
40946	38542	36636	38125	31543	29783	23396	26942	24445	24082	CAAT
25946	18316	18457	19031	18192	16564	17414	17054	15083	13205	CASH
2720	2375	2925	2900	3568	3018	2718	2768	2858	2608	GAM
8178	7848	7131	6219	5790	5215	4330	3805	2990	2583	SALAMA
1735	2122	2721	3055	2578	2068	3971	3658	3698	3209	TRUST Alg
3128	2949	2926	2604	2429	2393	2270	2322	2702	2620	Alliance
6363	6362	6457	5655	5315	4710	4510	4055	3878	3123	CIAR
4929	4252	3800	3205	2672	1632	1359	1216	1132	706	2A
3222	2652	3760	3836	3352	2955	2315	1970	350	900	AXA Dom
-	-	-	-	-	-	404	402	316	209	Maatec
17968	16997	16289	14810	13970	13260	12160	9789	8283	6110	CNMA
600	370	370	370	370	370	270	290	200	200	MACIR
4186	4148	4091	3772	3827	4212	3510	2678	1831	1516	TALA
3582	3016	3418	3008	2406	2906	3140	2610	1575	1185	SAPS
7328	7208	7023	6573	6106	5772	4722	4429	3479	3050	Caarama
4660	3484	3708	3452	3446	260	2040	1750	1310	1260	CARDIF
1897	1651	2012	1567	1708	1440	879	835	300	506	AXA VIE
1600	1600	1600	1300	1000	1000	1000	940	940	740	Mutualiste
6627	5044	3783	2748	605	1000	825	940	-	-	AGLIC
97342	90696	79545	68419	60430	55783	52330	50550	42843	29284	CCR
11479	10056	8550	7727	6777	5364	4869	4283	-	-	SGCI
4244	3518	3534	3246	3194	2780	2607	2607	-	-	CAGEX
330263	**302057**	**283869**	**268069**	**244247**	**230843**	**222442**	**216821**	**187759**	**164348**	TOTAL

Source: Prepared by the researcher based on reports from the Directorate of Insurance at the Ministry of Finance 2013/2022.

From the table, we observe that insurance companies' investments (excluding real estate assets) have been continuously growing throughout the study period, increasing from 164.3 billion DZD in 2013 to 330.2 billion DZD in 2022. This growth is driven by public companies, including both damage insurance companies (SAA, CAAR, CAAT, CNMA) and specialized insurance companies (CCR, SGCI, CAGEX), with public companies accounting for over 75% of total investments. CCR leads with an investment of 97.34 billion DZD in 2022, representing 30%, surpassing SAA, which had been at the top for several years with investments amounting to 50.5 billion DZD, or 15%. CAAT follows with a 13% share, amounting to 40.94 billion DZD in 2022. In contrast, life insurance companies have very low investment volumes compared to other companies, not exceeding 10% at best throughout the study period. Caarama leads among these companies with investments of 7.32 billion DZD, followed by AGLIC with 6.62 billion DZD in 2022.

Second: Contribution of the Sector to National Investment for the Period 2013-2022

Insurance contributes to supporting the economic development of the country through sector investments. The contribution rate of insurance companies' investments to national investment (represented by total fixed capital formation) is measured each year.

Investment reflects the change in capital stock over a specific time period. Unlike capital, which represents a stock measured at a specific point in time, investment is measured over a time period. Fixed capital formation is a key component of investment in any economic entity. This element represents a flow added to the community's capital stock and includes expenditure on purchasing capital goods such as machinery and equipment, as well as investments in buildings, real estate, and other equipment used in the production process. Hence, the importance of relying on fixed capital formation as one of the indicators reflecting the success of any economy in attracting investment capital.

Table 3: Contribution of the Insurance Sector to National Investment for the Period 2013/2022

Unit: Billion DZD

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	السنـوات
391.76	360.73	340.23	323.39	289.23	273.87	265.36	252.26	223.88	200.77	**Insurance Investments**
7839	7696	7101	7868	8202	7697	7544	7160	6340	5690	**National Investment**
4.99	4.68	4.79	4.11	3.52	3.55	3.67	3.52	3.53	3.52	**Contribution Rate %**

Source: Prepared by the researcher based on reports from the Directorate of Insurance and the National Office of Statistics for the period 2013/2022.

From the table, we observe that the insurance sector's contribution to national investment has improved in recent years, reaching its highest level in 2022 at 4.99%. This increase is attributed to the weak growth rate of national investments, which has been declining since 2019 due to the political conditions in the country and the significant impact of the COVID-19 pandemic on both public and private investment. In contrast, the insurance sector's investments have seen high growth rates in recent years, particularly driven by investments from CCR. Despite this, the contribution rate to national investment has seen only a slight improvement in the last four years, exceeding 4% and approaching 5% in 2022, which is the highest rate during the study period.

This rate is considered weak and far below global levels, which range between 50-60% of investments in developed countries (in France, it reaches 50%). This indicates the limited investment of insurance companies, which need to enhance their investment portfolios to reach a rate 4-5 times the size of insurance premiums, as is internationally recognized.

Section Three: Solvency Margin in Algerian Insurance Companies for the Period 2013-2022

According to Executive Decree No. 13-115 dated March 28, 2013, amending Executive Decree No. 95-343 dated October 30, 1995, concerning the limits of insurance companies' ability to meet their obligations, which is reflected in the existence of an additional amount to technical reserves called the "solvency margin" or "financial solvency margin," this additional amount consists of:

- Paid-up capital or paid-up founding funds.
- Legal or non-legal reserves.
- Regulated reserves.
- Deferred items, whether creditor or debtor.

Solvency Margin = Paid–up Capital + Total Reserves + Regulated Reserves + Deferred Items (Creditor or Debtor).

The solvency margin must be at least 15% of the technical reserves and should not be less than 20% of the issued and/or accepted premiums, net of fees and cancellations.

For life insurance companies, the solvency margin must be at least:

- **For life insurance branches (death, marriage, birth, and capitalization):** 4% of the technical reserves and 0.3% of the non-negative risk capitals, which refers to the difference between the insured capital and the technical reserves.
- **For other branches:** 15% of the technical reserves, and the solvency margin should not be less than 20% of the issued and/or accepted premiums, net of fees and cancellations, at any period during the year.

The following table presents the development of the solvency margin for insurance companies active in the Algerian market for the period 2013-2022.

Table 4: Development of Solvency Margin by Companies for the Period 2013/2022 Unit: Million DZD

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	Years
43911	42128	40073	36528	36815	34811	33025	31162	29309	29336	**SAA**

22120	23224	22458	21889	21289	20812	20508	20112	19532	19323	**CAAR**
34418	31911	30053	27953	25934	23901	22284	21010	19573	18395	**CAAT**
15096	14066	13535	12935	12256	12054	11070	10769	10213	9923	**CASH**
2630	2598	2554	2356	4283	1662	1490	1402	1133	744	**GAM**
4105	3812	3719	3466	3147	2941	2733	2646	2538	2406	**SALAMA**
3938	3718	3560	3516	3476	3154	2886	2727	2706	2274	**TRUST Alg**
5129	4814	4623	3608	3350	3129	2922	2750	2596	2393	**Alliance**
6678	6291	5998	5857	5584	5153	5073	4973	4866	4813	**CIAR**
1602	2500	2335	2142	1755	1908	2650	2547	2518	2697	**2A**
804	910	1202	1439	886	1087	1196	1118	876	1489	**AXA Dom**
-	-	-	-	-	-	1137	1136	1155	294	**Maatec**
9667	8782	7488	6593	6022	5423	5184	4880	4701	4876	**CNMA**
1578	1567	1569	1504	1416	1282	1218	1119	1044	1031	**MACIR**
1970	1978	1932	1869	1732	1573	1625	1556	1337	1204	**TALA**
1939	1999	1976	1843	1771	1721	1663	1702	1302	1534	**SAPS**
1712	1698	1663	1595	1525	1508	1408	1337	1227	1141	**Caarama**
2044	2048	2031	1668	1700	1568	1054	1043	1036	1024	**CARDIF**
1278	1463	1757	1615	1519	1674	900	889	846	871	**AXA VIE**
1381	1567	1381	1381	1040	964	909	838	709	802	**Mutualiste**
1213	1123	952	974	951	947	970	1000	-	-	**AGLIC**
46746	42304	37843	34622	31347	28939	26504	24431	22354	20956	**CCR**
4363	3862	3421	3036	-	-	-	-	-	-	**SGCI**
3693	3751	3253	3035	-	-	-	-	-	-	**CAGEX**
218015	**208113**	**195375**	**181425**	**167798**	**156209**	**148408**	**141148**	**131571**	**127526**	TOTAL

Source: Prepared by the researcher based on reports from the Insurance Directorate at the Ministry of Finance for the period 2013/2022.

From the table, it is observed that the size of the solvency margin varies from one company to another. Leading the way are the public damage insurance companies, starting with SAA, followed by CAAT, then CAAR, and other companies. Regarding life insurance companies, CRDIF is in the lead, followed closely by TALA and SAPS, which are at a similar level. In 2022, CCR tops the overall ranking with an amount of 46.7 billion DZD.

This ranking is considered normal and consistent with the turnover of these companies. The higher the turnover, the greater the required solvency margin.

The solvency margin rate is calculated by comparing the solvency margin amounts with technical reserves (ratio 1) and with net premiums (ratio 2). The following table presents these ratios for Algerian insurance companies for the period 2014-2022.

Table 4: Development of the Solvency Margin Ratio by Companies for the Period 2014/2022

2022		2021		2020		2019		2018		2017		2016		2015		2014		Years
2	1	2	1	2	1	2	1	2	1	2	1	2	1	2	1	2	1	Rate %
147	139	146	135	148	144	125	135	133	139	131	129	123	122	114	110	110	102	SAA
130	122	143	152	151	134	142	119	140	112	137	117	136	106	121	92	121	83	CAAR
129	106	126	137	121	133	114	126	107	135	103	133	99	123	99	115	97	100	CAAT
80	49	87	51	96	48	102	50	129	55	112	45	112	60	108	60	85	59	CASH
86	113	82	91	78	90	62	84	111	166	48	66	45	52	44	45	32	36	GAM
96	74	88	66	82	65	64	59	61	62	61	63	54	63	56	72	57	92	SALAMA
59	105	61	142	75	106	87	108	98	109	115	115	118	116	127	102	104	92	TRUST Alg
94	149	100	152	98	192	69	162	67	147	65	140	64	136	62	134	59	105	Alliance
75	63	73	66	69	65	59	62	55	72	56	83	55	82	55	85	55	92	CIAR
41	40	65	67	61	58	55	58	46	49	53	59	73	122	71	129	64	121	2A
41	29	56	45	65	54	55	52	30	31	35	43	47	64	45	63	35	49	AXA Dom
-	-	-	-	-	-	-	-	-	-	42	60	242	351	206	340	226	376	Maatec
74	92	69	85	57	73	46	66	43	63	89	277	41	64	39	64	42	71	CNMA
121	273	153	314	185	439	98	280	100	311	85	53	85	252	82	317	94	356	MACIR
128	54	143	56	165	61	167	60	155	57	83	63	74	66	73	105	86	192	TALA
91	65	120	73	132	76	95	68	86	62	71	27	98	71	115	75	102	247	SAPS
78	29	98	31	107	27	85	24	90	24	64	105	68	36	75	80	80	42	Caarama
57	76	64	72	69	83	61	79	65	85	68	186	60	102	67	247	75	198	CARDIF
57	88	87	106	92	116	72	144	74	167	191	407	58	158	69	169	73	127	AXA VIE
358	631	406	716	358	631	296	594	216	452	178	301	179	221	179	280	139	178	Mutualiste
42	20	57	24	56	27	58	40	73	88	-	-	-	-	-	-	-	-	AGLIC
115	78	107	69	113	68	97	70	98	78	98	76	97	89	110	82	100	332	CCR
333	60	333	63	432	67	308	66	-	-	-	-	-	-	-	-	-	-	SGCI
249	286	301	420	286	891	277	334	-	-	-	-	-	-	-	-	-	-	CAGEX
109	**88**	**111**	**92**	**113**	**90**	**101**	**90**	**99**	**93**	**96**	**89**	**95**	**96**	**95**	**93**	**89**	**103**	TOTAL

- **Solvency Margin Compared to Technical Reserves**
- **Solvency Margin Compared to Premiums**

Source: Prepared by the researcher based on reports from the Insurance Directorate at the Ministry of Finance 2014/2022

For the year 2013, figures were not available in the reports issued by the Ministry of Finance, as the Executive Decree No. 13-115 concerning the limits of insurance companies' solvency was issued that year, allowing insurance companies a one-year period to comply with the solvency margin ratios. Article 3 of this decree stipulated that the solvency margin for damage insurance companies should be at least 15% of the technical reserves and not less than 20% of the net premiums issued, excluding fees and cancellations. For life insurance companies, it should be at least a total of 4% of the technical reserves and 0.3% of the non-negative risk capital.

It is observed that all companies comply with these margins to varying degrees, but the overall margin remained high throughout the study period, whether compared to technical reserves, reaching 88%, or approximately 6 times the minimum limit in 2022. Compared to the issued premiums, the margin reached 109%, or about 5.5 times the legal minimum.

Regarding the companies, public companies (SAA, CAAR, CAAT) typically led the ranking, with ALLIANCE also achieving good figures. For life insurance companies, Mutualiste topped the ranking, followed by MACIR.

Conclusion

This study shows that the regulatory and legal environment has shaped the investment strategies of Algerian insurance companies. These investments have continually developed during the study period, increasing from about 200 billion DZD in 2013 to over 391 billion DZD in 2022. Despite this improvement, investments have been significantly affected by the lack of an active financial market in Algeria, making their contribution to national investment very weak, not exceeding 5% in the best recorded figure of 2022. This rate is considered low and far from global standards, which range between 50-60% of investments in developed countries, necessitating insurance companies to enhance their investment portfolios to reach a level of 4-5 times the size of insurance premiums, in line with international practices.

The analytical study shows that Algerian insurance companies adhere to investment ratios, with state securities being the most preferred investment channel, due to the legislator setting its minimum ratio at 50% as it is fully guaranteed by the state. However, this poses a limitation on insurance companies and restricts their freedom to choose investment areas that provide higher returns.

All Algerian insurance companies meet the minimum solvency margin, whether based on technical reserves or issued premiums, as reflected in the indicators showing that the solvency margin of

Algerian insurance companies has exceeded the minimum several times throughout the study period, reaching up to 6 times or more.

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