# Insurance as a Risk Management Mechanism for Local Communities: An Analytical Study of the Civil Liability Insurance Contract of the Municipality of Sétif with the Algerian Insurance Company (CAAT)

# التأمين كآلية لإدارة المخاطر لدى الجماعات المحلية :دراسة تحليلية لعقد تأمين المسؤولية المدنية لبلدية سطيف مع الشركة الجزائرية للتأمينات

**Almi Hassiba** [1]

**علمي حسيبة** [1]

[1] Badji Mokhtar-Annaba University, P.O. Box.12, Annaba, 23000, (Algeria), hassiba.almi@univ-annaba.dz

*Received: 01/04/2026* *Accepted: 25/06/2026* *Published:30/06/2026*

**Abstract**:
Local communities in Algeria, represented by the wilaya and the municipality, face a wide and heterogeneous portfolio of risks arising from their multiple administrative, social, and technical functions. These risks translate into direct financial losses on municipal assets and third-party claims that strain local budgets. This study examines insurance as a structured risk management tool for local authorities. Drawing on the theoretical framework of risk and insurance, it conducts an in-depth analysis of the general civil liability insurance contract concluded between the municipality of Sétif and the Algerian Insurance Company (CAAT), and situates the case within the broader context of the Algerian insurance market as reported in the 2024 Activity Report of the Directorate of Insurance. Findings confirm that insurance provides an effective mechanism for risk transfer, financial protection, and indirect support to local development.

**Keywords**: insurance; risk management; local communities; civil liability; CAAT.
**JEL Classification Codes**: G22, H70, H83.

**ملخص:**
تواجه الجماعات المحلية في الجزائر، ممثلة في الولاية والبلدية، محفظة واسعة وغير متجانسة من المخاطر الناجمة عن وظائفها الإدارية والاجتماعية والتقنية المتعددة .تترجم هذه المخاطر إلى خسائر مالية مباشرة ومطالبات أطراف ثالثة ترهق الميزانيات المحلية .تناقش هذه الدراسة التأمين بوصفه أداة منظمة لإدارة المخاطر لدى السلطات المحلية .تؤكد النتائج أن التأمين يوفر آلية فعالة لنقل المخاطر والحماية المالية والدعم غير المباشر للتنمية المحلية.

**كلمات مفتاحية**: التأمين، إدارة المخاطر، الجماعات المحلية، المسؤولية المدنية، CAAT.
**تصنيفات JEL:** G22, H70, H83

***Corresponding author***: *ALMI Hassiba*, ***e-mail:*** *hassiba.almi@univ-annaba.dz*

## 1. Introduction

Local communities occupy the front line of public service delivery in Algeria. Their range of responsibilities, from road maintenance to waste management, event organization, and operation of public infrastructure, generates exposure to a broad array of risks. These risks are not hypothetical. A road accident involving municipal vehicles, a fire in a municipal building, or a food poisoning incident at a local event can each produce financial consequences that municipal budgets are ill-equipped to absorb without prior preparation.

The gradual shift toward administrative and financial decentralization, anchored in Laws No. 90/08 and 90/09 of 7 April 1990 on the municipality and the wilaya respectively, has expanded the operational autonomy of local authorities but has also reduced the implicit protection that once flowed automatically from central government structures. In this context, insurance contracts have become a practical and legally recognized instrument for transferring financial risk to specialized institutions.

This article pursues two complementary objectives. First, it frames the theoretical relationship between risk, insurance, and local government liability. Second, it provides a detailed analytical reading of a concrete civil liability insurance policy binding the municipality of Sétif with CAAT, referenced against the statistical portrait of the Algerian insurance sector drawn from the 2024 Activity Report published by the Directorate of Insurance under the Ministry of Finance. The study relies on primary contract documentation and official sector statistics. The analysis is organized around six sections covering the conceptual framework, market data, contract specifics, and policy implications.

## 2. Conceptual Framework: Risk and Insurance

### 2.1 Defining and Classifying Risk

Risk, in the insurance literature, is most precisely defined as the objective probability that an actual outcome will differ from the expected outcome (Abd Rabbuh, 2003). In the contractual language of Algerian insurance law, Article 1 of Law No. 95/07 of 25 January 1995 positions risk as the contingent event whose occurrence must not depend on the will of either contracting party, particularly that of the insured. (République Algérienne Démocratique et Populaire, 1995)

From an economic perspective, risks fall into three broad categories. Moral risks, which lack measurable financial consequences and arise from behavioral or psychological factors, are not insurable. Speculative risks, which contain both gain and loss possibilities and typically arise from deliberate business decisions, are equally excluded from insurance coverage. Pure risks, by contrast, involve only the probability of loss or non-loss and thus constitute the legitimate domain of insurance (Rousseau, Blayac, & Oulmane, 2001). Pure risks subdivide further into personal risks affecting the life and health of individuals, property risks covering tangible assets, and civil liability risks arising from damages caused to third parties.

For local communities, this third category carries particular weight. Municipal activities regularly generate civil liability exposure: a pedestrian injured on a poorly maintained sidewalk, a citizen who suffers food poisoning at a municipal event, or a third party whose property is damaged by municipal construction works.

### 2.2 The Insurance Contract: Legal Definition and Core Elements

The Algerian legislator defines insurance in Article 1 of Law No. 95/07 as a contract under which the insurer commits to providing the insured or a named beneficiary with a financial benefit upon the occurrence of a specified risk, in exchange for a premium paid by the insured. This synallagmatic contract rests on three inseparable pillars: the insurable risk, the premium, and the indemnity or benefit payable on occurrence of the covered event.

Insurance products divide into two principal branches. Damage insurance (IARDT: Incendie, Accidents, Risques Divers, Transport) applies the indemnity principle, under which compensation is calibrated to the actual loss sustained, not exceeding the insured value. Personal insurance, covering life, death, disability, and health, operates on the lump-sum principle, under which the contractually stipulated amount is paid regardless of the exact financial loss (Zweifel & Eisen, 2012).

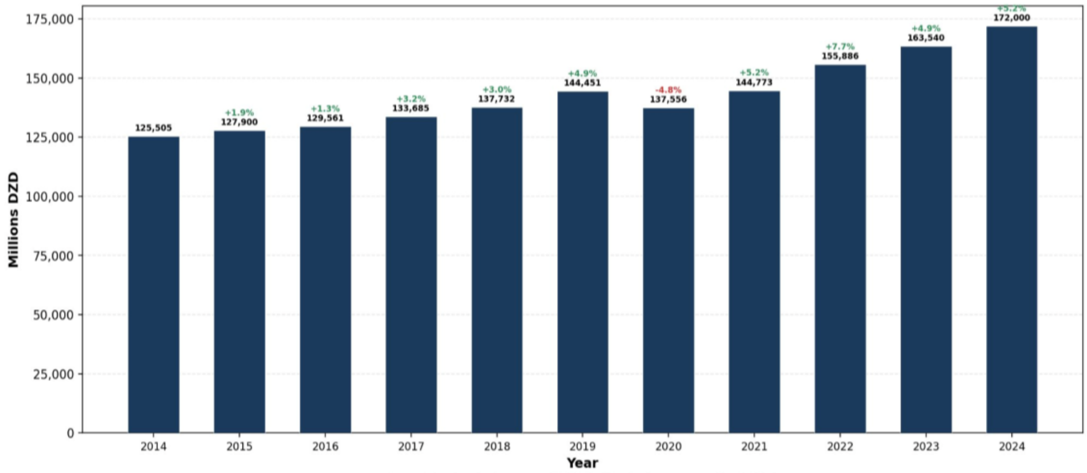
Algerian insurance companies are defined under Article 23 of Law No. 06/04, amending Article 203 of Order No. 95/07, as entities authorized to subscribe and execute insurance and/or reinsurance contracts. They operate in two legal forms: joint-stock companies, driven primarily by profit maximization on behalf of shareholders, and mutual companies, which pursue collective risk-pooling among policyholders without a profit objective. (République Algérienne Démocratique et Populaire, 2006)

## 3. The Algerian Insurance Market in 2024: A Quantitative Portrait

### 3.1 Overall Market Production

The Algerian insurance market maintained its upward trajectory in 2024, recording aggregate premium income of 172 billion Algerian dinars (MDA), compared to 163.5 MDA in 2023, a year-on-year growth rate of 5% (Direction des Assurances, 2024). This increase of 8.5 MDA was distributed between damage insurance, which contributed 5.7 MDA of the increment, and personal insurance, which contributed 2.7 MDA. Figure 1 traces the decade-long evolution of market production from 2014 to 2024.

**Fig.01:** Evolution of Insurance Market Production in Algeria, 2014-2024




**Source**: (Direction des Assurances, 2024)

Despite this nominal progression, the sector's penetration rate remains below 1% of gross domestic product, standing at 0.5%, and the insurance density, measured as per-capita insurance expenditure, amounts to 3,683 DZD per inhabitant, equivalent to approximately 27 US dollars. These figures reflect a market whose structural potential remains substantially unrealized (Direction des Assurances, 2024). Table 1 details market production by branch for 2023 and 2024.

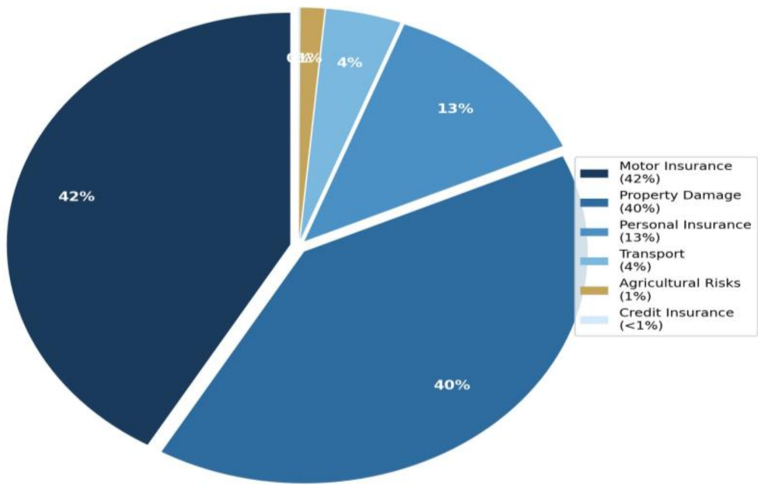
**Table 1.** Insurance Market Production by Branch, 2023-2024 (in Millions DZD)

| Branch | 2023 (MDA) | | 2024 (MDA) | | Variation | |
|---|---|---|---|---|---|---|
| | Amount | Share | Amount | Share | Value | % |
| Motor Insurance | 66,897 | 41% | 71,554 | 42% | +4,657 | +7% |
| Property Damage | 67,214 | 41% | 69,043 | 40% | +1,829 | +3% |
| Transport | 8,561 | 5% | 7,388 | 4% | -1,172 | -14% |
| Agricultural Risks | 1,997 | 1% | 2,335 | 1% | +338 | +17% |
| Personal Insurance | 18,793 | 11% | 21,522 | 13% | +2,729 | +15% |
| Credit Insurance | 78 | 0% | 157 | 0% | +79 | +101% |
| **TOTAL** | **163,540** | **100%** | **172,000** | **100%** | **+8,460** | **+5%** |

**Source**: (Direction des Assurances, 2024)

As shown in Table 1, motor insurance reclaimed the top position in 2024 with a 42% market share and a 7% growth rate, reversing the 2023 configuration in which property damage insurance had led the ranking. The transport branch was the sole decliner, contracting by 14% relative to the prior year. Figure 2 illustrates the current structure of the market by branch.

**Fig.02:** Insurance Market Structure by Branch, 2024

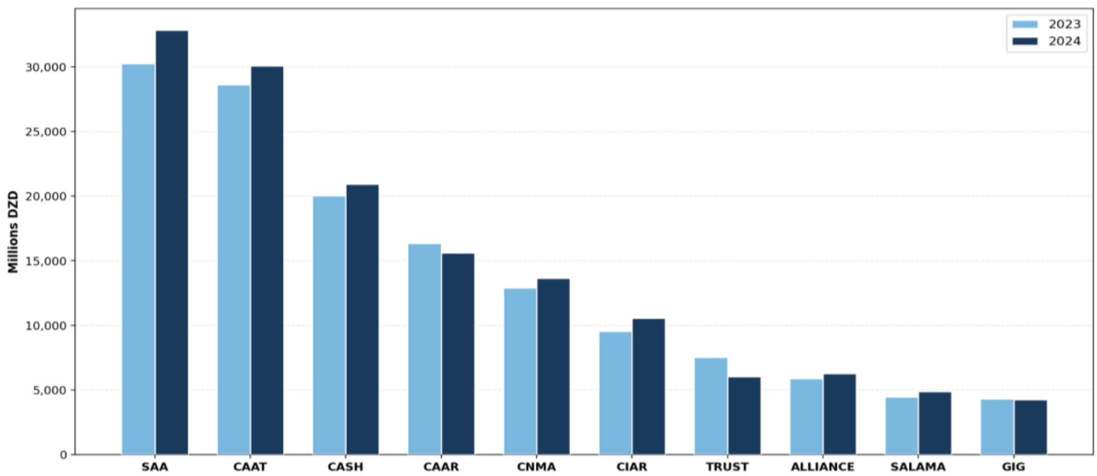



**Source**: (Direction des Assurances, 2024)

### 3.2 Market Structure by Company Type

The market comprises 25 licensed entities as of 2024: 12 damage insurance companies, 8 personal insurance companies, 2 Takaful companies, 1 reinsurance company (CCR), and 2 specialized (Direction des Assurances, 2024). Public companies dominated production, accounting for 61% of aggregate premium income, followed by private companies at 24%, the mutual CNMA at 8%, and mixed-capital companies at 7%. Figure 3 compares premium production across the ten leading companies for 2023 and 2024.

**Fig.03:** Premium Production by Top 10 Insurance Companies, 2023-2024




**Source**: (Direction des Assurances, 2024)

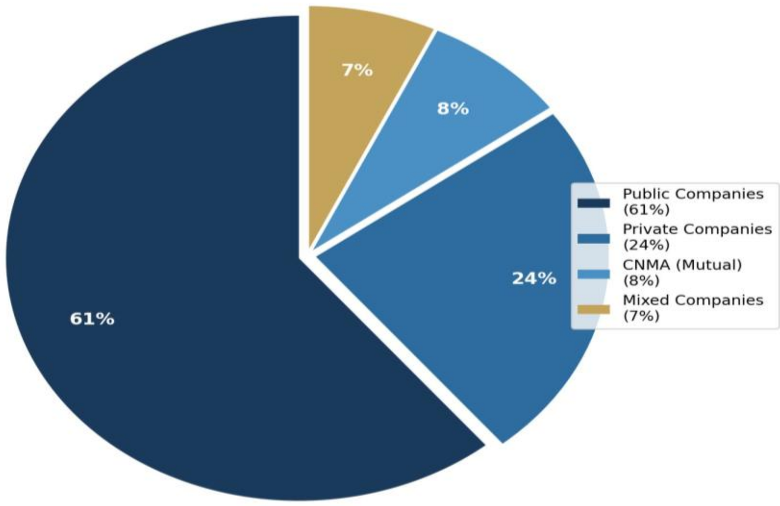
Table 2 breaks down production by company type. Figure 4 presents the corresponding market share distribution.

**Table 2.** Production by Company Type, 2024 (in Millions DZD)

| Company Type | Damage Ins. (MDA) | Personal Ins. (MDA) | Market Share |
|---|---|---|---|
| Public Companies | 99,799 | 5,444 | 61% |
| Private Companies | 34,959 | 5,789 | 24% |
| Mixed Companies | 2,072 | 9,960 | 7% |
| Mutuals (CNMA) | 13,647 | 329 | 8% |
| **TOTAL** | **150,477** | **21,522** | **100%** |

**Source**: (Direction des Assurances, 2024)

**Fig.04:** Market Structure by Company Type, 2024




**Source**: (Direction des Assurances, 2024)

This structure has remained stable across consecutive years, indicating limited competitive pressure on the public segment. Among private damage insurers, CIAR achieved the highest intermediary dependency ratio at 99%, meaning virtually all its production transited through general agents. CNMA, the agricultural mutual, operates exclusively through direct channels, relying on no intermediaries whatsoever.

### 3.3 Natural Disaster Insurance: Mandatory but Underutilized

Natural disaster insurance (Cat-Nat) is compulsory for all owners of built real estate in Algeria, activated by joint ministerial order following each declared event. The branch recorded subscriptions of 10.3 MDA in 2024, up from 8.2 MDA in 2023, representing a 26% annual increase (Direction des Assurances, 2024) For local communities, which own substantial built patrimony including administrative buildings, sports facilities, slaughterhouses, and cultural centers, this coverage carries considerable fiscal relevance. Table 3 traces the evolution of Cat-Nat subscriptions and reserves from 2019 to 2024.

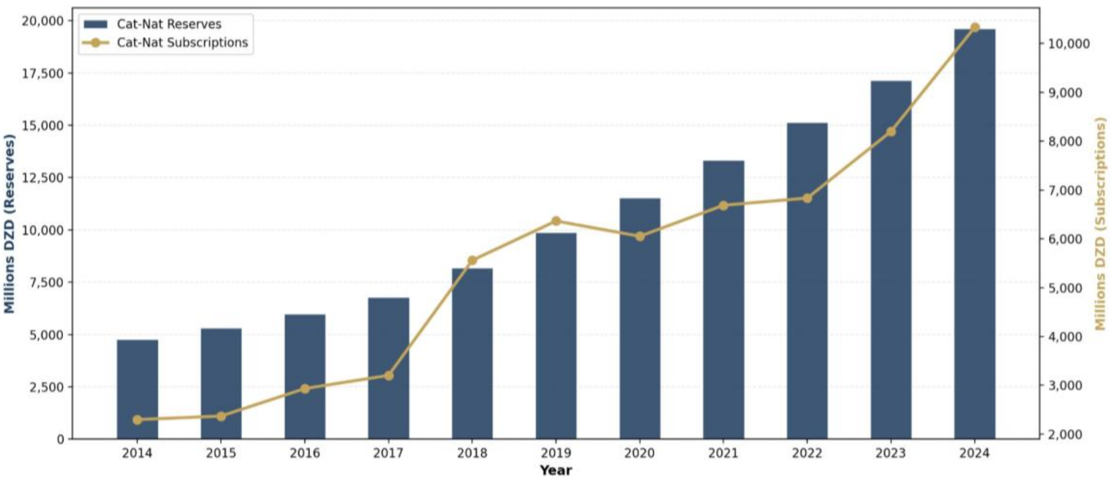
**Table 3.** Evolution of Natural Disaster Insurance (Cat-Nat), 2019-2024 (in Millions DZD)

| Year | Cat-Nat Production (MDA) | Cat-Nat Reserves (MDA) | Production Change (MDA) | % Change |
|---|---|---|---|---|
| 2019 | 6,365 | 9,888 | - | - |
| 2020 | 6,052 | 11,539 | - | - |
| 2021 | 6,687 | 13,337 | - | - |
| 2022 | 6,834 | 15,147 | - | - |
| 2023 | 8,198 | 17,145 | - | - |
| **2024** | **10,331** | **19,635** | **+2,133** | **+26%** |

**Source**: (Direction des Assurances, 2024)

As Table 3 illustrates, the gap between production and technical reserves has widened substantially over the six-year period. In 2024, Cat-Nat reserves reached 19.6 MDA, nearly double the year's subscription volume of 10.3 MDA. This reserve accumulation reflects the long-tail nature of disaster claims and underscores the actuarial prudence required in this branch. Figure 5 depicts the dual trend of subscriptions and reserves since 2014.

**Fig. 5.** Evolution of Natural Disaster Insurance (Cat-Nat), 2014-2024

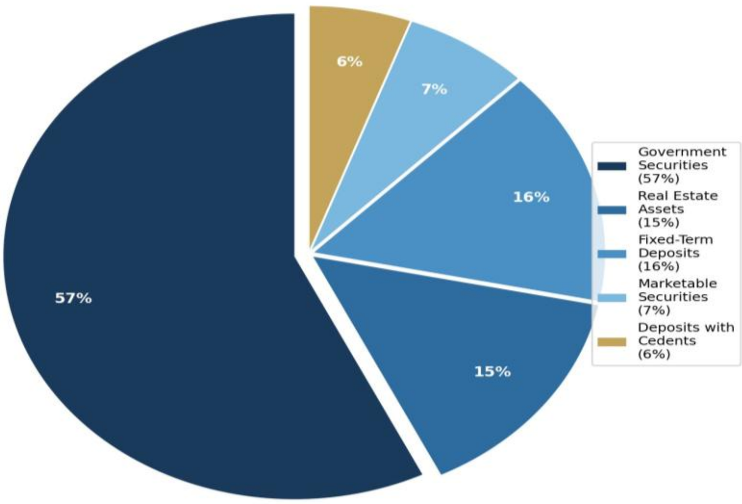



**Source**: (Direction des Assurances, 2024)

### 3.4 Claims and Financial Solvency

Total indemnities paid across the market reached 81.2 MDA in 2024, a 6% increase from 76.8 MDA in 2023. The motor branch absorbed 60% of all claim payments, amounting to 48.5 MDA, while personal insurance claims grew by 13% to reach 8.9 MDA. The Automobile Guarantee Fund (FGA), financed by a compulsory 3% levy on civil liability motor premiums, settled 170 million DZD in 2024, covering accident victims whose offending drivers were uninsured or unidentified (Direction des Assurances, 2024). Figure 6 illustrates the structure of financial placements.

**Fig. 6:** Structure of Financial Placements, 2024 (Total: 464.1 Billion DZD)




**Source**: (Direction des Assurances, 2024)

On the financial side, insurance companies held aggregate placements of 464.1 MDA at year-end 2024, a 10% rise over the 423.6 MDA recorded in 2023. Government securities continued to dominate the portfolio at 57% of total placements, reflecting the regulatory requirement that at least 50% of regulated commitments be covered by state-backed instruments. Table 4 breaks down the portfolio composition.

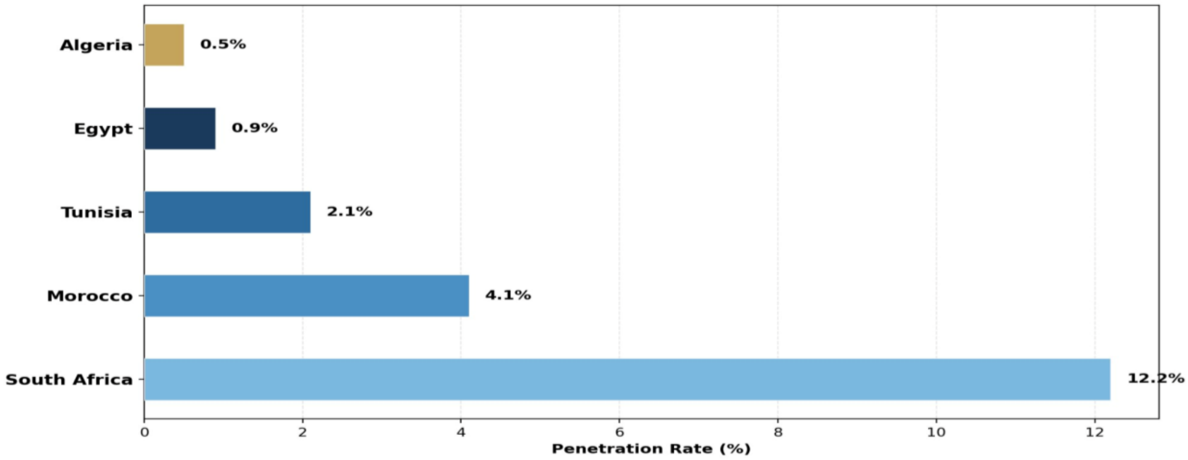
**Table 4.** Financial Placements by Category, 2023-2024 (in Millions DZD)

| Category | 2023 (MDA) | | 2024 (MDA) | | Variation | |
|---|---|---|---|---|---|---|
| | Amount | Share | Amount | Share | Value | % |
| Government Securities | 233,022 | 55% | 265,705 | 57% | +32,683 | +14% |
| Marketable Securities | 28,422 | 7% | 32,194 | 7% | +3,772 | +13% |
| Fixed-Term Deposits | 73,930 | 17% | 72,742 | 16% | -1,188 | -2% |
| Deposits with Cedents | 24,670 | 6% | 25,996 | 6% | +1,326 | +5% |
| Real Estate Assets | 63,545 | 15% | 67,466 | 15% | +3,922 | +6% |
| **TOTAL** | **423,589** | **100%** | **464,103** | **100%** | **+40,515** | **+10%** |

**Source**: (Direction des Assurances, 2024)

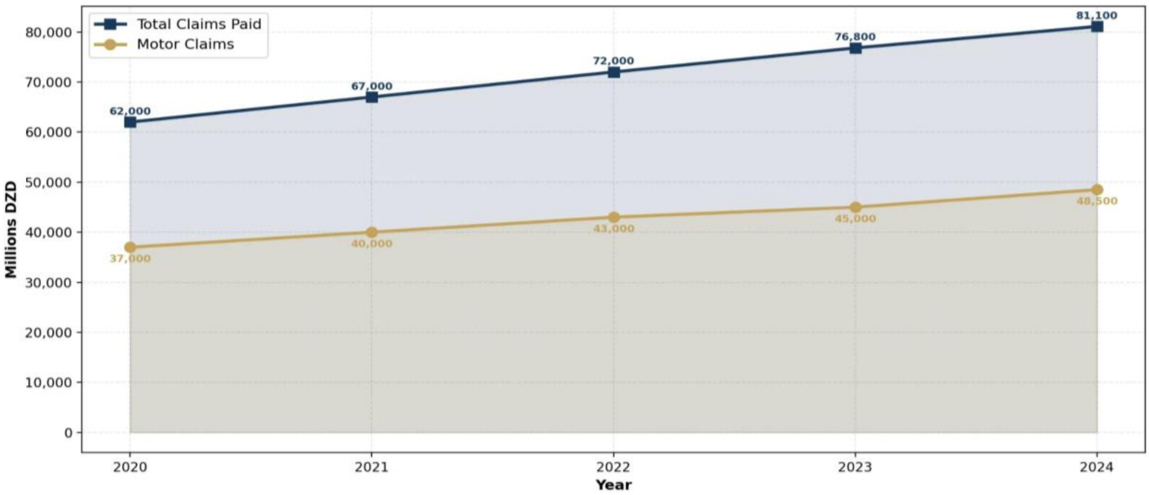
The sector closed 2024 with net accounting profits of 23.6 MDA, an 11% improvement over the 21.3 MDA posted in 2023. The overall solvency margin stood at 117% of the regulatory minimum, indicating that all active companies satisfied their statutory capital adequacy obligations (Direction des Assurances, 2024). Figure 7 situates Algeria's penetration rate in an international comparison.

**Fig. 7.** Insurance Penetration Rate as % of GDP, International Comparison




**Source**: (Direction des Assurances, 2024)

**Fig. 8.** Evolution of Claims Paid, 2020-2024




**Source**: (Direction des Assurances, 2024)

## 4. Insurance Contracts for Local Communities

### 4.1 Risk Exposure Profile of Local Authorities

The risk portfolio of an Algerian municipality or wilaya spans three main categories. Force majeure risks include earthquakes, floods, and other natural disasters that can damage public infrastructure and generate civil liability toward affected citizens. Operational risks arise directly from service delivery: fires in municipal buildings, technical failures in public utilities, or food safety incidents at municipally organized events. Governance risks stem from administrative decisions, inadequate resource management, or contractual disputes with third parties. (Loiselle & Champagne, 2007)

Insurance addresses each of these categories through different product lines. Civil liability insurance covers bodily and material damages caused to third parties during municipal operations. Vehicle fleet insurance protects the entire municipal transport pool under a single policy. Fire and natural disaster insurance safeguards the built patrimony. Together, these contracts constitute an integrated coverage architecture that protects municipal financial integrity across diverse risk exposures.

### 4.2 Procurement Through Public Tender

Algerian local communities subscribe to insurance contracts through the public procurement framework, which mandates competitive tendering for contracts above specified thresholds. This process ensures pricing transparency and prevents favoritism. Insurance companies submit competing offers evaluated on both technical coverage criteria and financial terms. The selected offer must satisfy the required coverage specifications while minimizing the premium burden on the municipal budget. CAAT has maintained a prominent position as a preferred insurer for public sector entities, combining broad product coverage with familiarity with the legal obligations of public institutions.

## 5. Case Study: The Civil Liability Insurance Contract of the Municipality of Sétif

### 5.1 Contract Description

The contract under analysis (No. 2024/312/RG/20/0/0) is a general civil liability policy binding the municipality of Sétif (APC Sétif) as the named insured and the Algerian Insurance Company (CAAT), specifically its Sétif 2 branch (code 312), as the insurer. The policy provides coverage for bodily and material damages caused to third parties, in accordance with Articles 56 to 59 of Law No. 95/07 and Articles 124, 134, 136, 138, 139, and 140 of the Algerian Civil Code. (CAAT, 2024)

The insured scope is intentionally broad. It covers the mayor and deputy mayors, members of the municipal council, all employees and staff, volunteers and delegated agents acting under municipal supervision, and all activities carried out within the municipality's area of competence. Covered activities include road maintenance works, official ceremonies, refuse collection operations, slaughterhouse operations, water treatment facilities, public libraries, cultural centers, sports installations, and firefighting units. (CAAT, 2026)

## 5.2 Coverage Ceilings and Complementary Guarantees

Table 5 details the full coverage structure of the contract, including the primary guarantee and all supplementary guarantees.

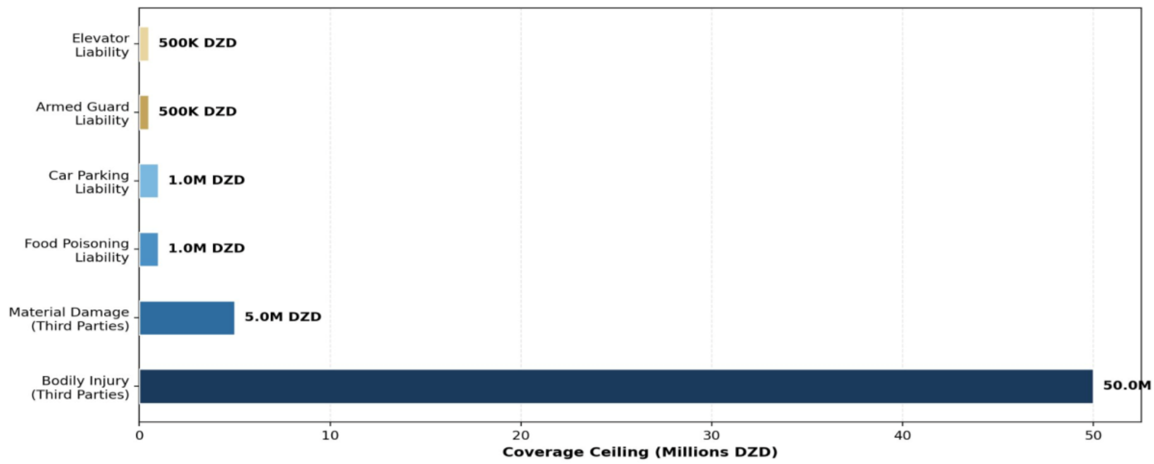
**Table 5.** Coverage Structure of the Sétif Civil Liability Insurance Contract

| Guarantee Type | Coverage Ceiling | Notes |
|---|---|---|
| Bodily injury to third parties | 50,000,000 DZD | Core guarantee |
| Material damage to third parties | 5,000,000 DZD | With deductible |
| Civil liability, food poisoning | 1,000,000 DZD | Included at no charge |
| Civil liability, car parking | 1,000,000 DZD | Included at no charge |
| Civil liability, armed guard | 500,000 DZD | Included at no charge |
| Civil liability, elevators | 500,000 DZD | Included at no charge |
| Stray dogs removal (up to 20 people) | 1,000 DZD/day/person | 48 hours prior notice required |

**Source**: (CAAT, 2024)

The contract's primary guarantee covers bodily injuries to third parties up to 50 million DZD, while material damages are capped at 5 million DZD with a deductible applied. The supplementary guarantees, covering food poisoning, parking areas, armed guard liability, and elevator incidents, are included without additional charge and reflect an awareness of the operational profile of a medium-sized Algerian municipality. Figure 9 presents these coverage ceilings graphically.

**Fig. 9.** Coverage Structure of the Sétif Civil Liability Contract (CAAT)




Source: (CAAT, 2024)

The provision for stray dog removal, capped at 1,000 DZD per day per worker for teams of up to 20 people, requires 48 hours' prior notification to the insurer. This detail illustrates the specificity with which the policy is calibrated to actual municipal responsibilities, a quality not always evident in generic public sector contracts.

### 5.3 Premium Calculation

The net premium is derived by multiplying the total insured capital, which is the aggregate municipal payroll, by a rate established by CAAT. The insured capital amounts to 1,660,373,105.65 DZD, and the applied rate is 0.07 per mille, yielding a net premium of 1,162,261.17 DZD. After adding the policy issuance charge, VAT at the rate of 17%, and stamp duty, the total gross premium reaches 1,360,670.57 DZD (CAAT, 2024). Table 6 details the full calculation.

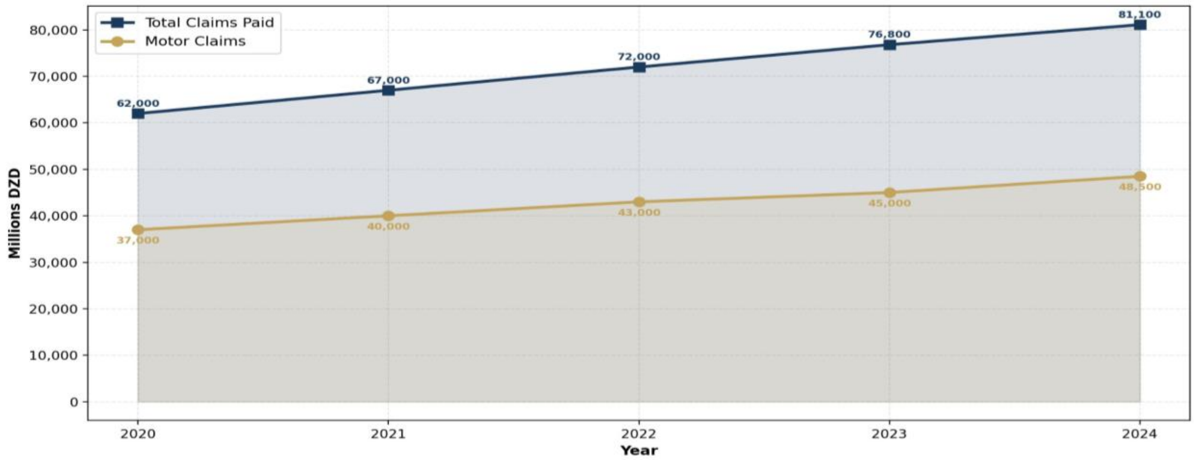
**Table 6.** Premium Calculation for the Sétif Civil Liability Insurance Contract

| Accounting Item | Amount (DZD) |
|---|---|
| Insured capital (total payroll) | 1,660,373,105.65 DZD |
| Applied rate | 0.07 per mille (0.07‰) |
| Net premium (RC third-party) | 1,162,261.17 DZD |
| Policy issuance cost | 500.00 DZD |
| VAT at 17% (net premium + issuance cost) | 197,669.40 DZD |
| Stamp duty | 240.00 DZD |
| **TOTAL GROSS PREMIUM** | **1,360,670.57 DZD** |

**Source**: Compiled from (CAAT, 2024)

Figure 10 illustrates the premium breakdown visually.

**Fig. 10.** Premium Calculation Breakdown, Sétif Civil Liability Contract




Source: (CAAT, 2024)

This premium structure is adjustable. At expiry, the municipality submits a declaration of the revised payroll figure within one month, accompanied by supporting tax documents. The insurer then recalculates the net premium on the basis of the updated insured capital. This revisability clause protects both parties: the insurer against underpricing as the municipal workforce grows, and the municipality against overpaying should the payroll shrink. Evaluated against the coverage ceiling of 50 million DZD for bodily injuries alone, a gross annual premium of approximately 1.36 million DZD represents a coverage ratio of roughly 1:37, reflecting an actuarially reasonable pricing structure given the dispersed, low-probability nature of the risks covered.

## 6. Discussion: Insurance as a Development Tool for Local Government

The contract examined reveals several features worth examining beyond mere compliance with legal obligation. The bundling of supplementary guarantees into a single policy without incremental pricing demonstrates that CAAT has structured its municipal product to address the full operational footprint of a local authority, rather than limiting coverage to the statutory minimum.

The payroll-based premium calculation places the cost of coverage in direct proportion to the size of the municipal workforce. This is a coherent proxy for exposure, since a larger workforce generates more daily interactions with the public and consequently a higher frequency of potential liability events.

The market data from the 2024 report confirms that local public institutions consistently prefer public insurance companies, which combine deep familiarity with the regulatory environment for public sector contracts and sufficient capitalization to underwrite large municipal risks. CAAT, which posted a 5% premium growth rate in 2024 and maintains a solvency margin above regulatory thresholds, presents a financially credible counterpart for a medium-sized municipality. (Direction des Assurances, 2024)

One area that the current contract does not address is digital and cybersecurity risk. Municipalities increasingly manage sensitive citizen data and operate digitally connected infrastructure. No existing Algerian municipal insurance product formally covers data breaches, ransomware incidents, or service disruptions caused by cyberattacks. This gap will require attention as the country’s digital public administration agenda advances.

## 7. Conclusions and Recommendations

The findings of this study converge on three substantive conclusions. Insurance functions, for Algerian local communities, as a financially rational instrument for transferring risks whose materialization would otherwise impose irregular and potentially destabilizing charges on municipal budgets. The civil liability contract of the municipality of Sétif with CAAT demonstrates that the market is capable of producing tailored products aligned with the actual operational complexity of a local authority.

The broader market data for 2024 confirms the sector’s financial health, with a 5% production growth, a net profit of 23.6 MDA, and a solvency margin consistently above regulatory thresholds. This stability provides reassurance to municipal clients regarding the market's capacity to honor claims.

Three recommendations follow from the analysis. First, insurance companies should develop dedicated municipal product lines that explicitly incorporate emerging risk categories, including cyber liability, digital infrastructure disruption, and climate-related damages beyond the existing Cat-Nat framework. Second, local authorities should institutionalize proactive risk management within their administrations, training designated staff to conduct periodic risk assessments rather than treating insurance as a passive compliance exercise. Third, public procurement frameworks should create wider space for qualified private insurers to compete for municipal contracts, to stimulate product innovation and improve coverage quality without compromising the financial security expectations of the contracting authority.

## 8. Bibliography List:

Abd Rabbuh, I. I. (2003). Al-ta'min wa riyadiyyatuhu [Insurance and its mathematics]. *Al-Dar Al-Jami'iyyah, Alexandria.*

CAAT. (2024). General civil liability insurance contract No. 2024/312/RG/20/0/0. Sétif 2 Branch (code 312). Internal document.

CAAT. (2026). Retrieved from https://caat.dz/index.php/fr/

Direction des Assurances. (2024). *Activité des assurances en Algérie 2024.* Algiers: Ministère des Finances, Direction Générale du Trésor et de la Comptabilité.

Loiselle, M., & Champagne, E. (2007). La gestion des risques dans les collectivités locales: Enjeux et perspectives. *Revue Française d'Administration Publique, 123(3), 451-469.*

République Algérienne Démocratique et Populaire. (1995). *Law No. 95/07 of 25 January 1995 on insurance. Journal Officiel de la République Algérienne.*

République Algérienne Démocratique et Populaire. (2006). *Law No. 06/04 amending and supplementing Order No. 95/07. Journal Officiel de la République Algérienne.*

Rousseau, J.-M., Blayac, T., & Oulmane, N. (2001). Introduction à la théorie de l'assurance. *Éditions Dunod, Paris*.

Zweifel, P., & Eisen, R. (2012). Insurance economics. *Springer, Berlin*.