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**Risk Management Approaches in Palestinian Insurance
Companies: A Comparative Study Between Islamic and
Conventional Insurance**

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Companies: A Comparative Study Between Islamic and
Conventional Insurance**

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Dedication

To my dear parents,

Whose endless love, unwavering support, and heartfelt prayers have been my strength and the foundation of my success.

To my esteemed supervisor, Dr. Mohammed Abdalrahman,

Your insightful guidance and exceptional mentorship have been invaluable in shaping this thesis. Your encouragement has been a constant source of inspiration.

To my cherished siblings,

My sisters, whose encouragement and steadfast support have illuminated my path throughout my master's journey.

Declaration

I Certify that this thesis submitted for the degree of Master, is the result of my own research, except where otherwise acknowledged, and that this study (or any part of same) has not been submitted for a higher degree to any other university of the institution.

Signature:



Lama Omar Mustafa Humos

Date: 11/01/2025

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Abstract

This study explores risk management practices in Palestinian insurance companies, comparing Islamic and non-Islamic companies. Using semi-structured interviews with six professionals, the thematic analysis reveals that both company types face similar operational and financial risks but adopt distinct management approaches. Islamic insurers emphasize Sharia compliance, balanced risk mitigation, and strategic integration, while non-Islamic companies prioritize competitive advantage, crisis management, and dynamic risk frameworks. Internal risks in Islamic companies stem from administrative and technological challenges, whereas non-Islamic companies encounter reputational and operational risks. External threats, such as political instability and economic fluctuations, affect both sectors, though Islamic insurers are more sensitive to regulatory shifts. Risk assessment tools vary, with Islamic companies using probability-impact analysis and scenario simulations, while non-Islamic insurers prefer SWOT analysis and statistical modeling. Both sectors favor proactive mitigation, leveraging advanced technologies like big data analytics and automation. The study recommends enhancing strategic risk management, regulatory compliance, and technological investment to improve sector resilience.

Keywords: Strategic risk management, Insurance companies, Islamic companies, Non-Islamic companies, Risk mitigation, Palestine.

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Chapter One

Chapter One: General Framework of Study

1.1 Introduction

In the modern business environment, organizations are exposed to various risks that can impact their sustainability, profitability, and overall strategic objectives. Risk management plays a critical role in mitigating these uncertainties by identifying, assessing, and implementing strategies to control potential threats while maximizing opportunities (Kibet, 2021). Effective risk management is essential for organizations aiming to maintain stability and achieve long-term success in competitive markets (Shrivastava et al., 2024). This is particularly relevant for the insurance sector, where companies not only provide risk management solutions to businesses and individuals but also face substantial risks themselves. These risks can arise from market fluctuations, regulatory changes, operational inefficiencies, and financial instability (Settembre-Blundo et al., 2021).

Risk management strategies in insurance companies typically include diversification, reinsurance, financial hedging, and regulatory compliance frameworks (George, 2020). These strategies help insurance companies anticipate and mitigate potential losses while ensuring business continuity. The importance of risk management is heightened in the insurance industry due to its direct exposure to financial uncertainties and liabilities (Maiti, 2021). The key challenges include underwriting risks, investment risks, liquidity risks, and compliance-related risks, all of which require a systematic approach to management.

A significant distinction exists between conventional and Islamic insurance (Takaful) companies in their risk management approaches. Conventional insurance operates on a risk-transfer model where policyholders pay premiums to insurers in exchange for financial protection. In contrast, Takaful follows a cooperative risk-sharing model based on mutual assistance and Sharia-compliant investment principles (Torre-Enciso & Barros, 2012). These differences lead to variations in how risk is assessed, managed, and mitigated in each system. Studies indicate that while both models aim to ensure financial stability, Islamic insurance companies face unique risks related to Sharia compliance, profit-and-loss sharing mechanisms, and ethical investment constraints (Ustionva, 2020).

Despite the growing body of literature on risk management in the financial sector, comparative studies on Islamic and conventional insurance companies remain limited. This study aims to bridge this gap by analyzing and comparing risk management approaches in Palestinian insurance companies operating under both models. The research will explore the key risks faced by these institutions, the strategies employed to mitigate them, and the overall effectiveness of these risk management frameworks. By examining relevant studies and industry practices, this study seeks to provide insights into best practices for enhancing risk resilience in the Palestinian insurance sector.

1.2 Problem Statement

Insurance companies in Palestine operate in a highly volatile environment, facing numerous risks that threaten their financial stability and operational efficiency. These risks can be classified into internal risks—such as operational inefficiencies, financial mismanagement, and regulatory compliance challenges—and external risks stemming from political instability, economic fluctuations, and evolving market conditions. Given the critical role of risk management in maintaining the resilience and sustainability of these companies, the need for effective risk mitigation strategies is paramount.

Despite the significance of risk management in the insurance sector, there is a lack of comprehensive research on how Palestinian insurance companies, both Islamic and conventional, identify, assess, and mitigate risks. While global studies have examined risk management practices in the insurance industry, the unique challenges faced by Palestinian insurers, particularly in the context of political and economic instability, remain underexplored. Moreover, the extent to which strategic risk management is integrated into the overall operational framework of these companies is unclear.

A key research gap exists in understanding the comparative risk management approaches between Islamic and conventional insurance companies in Palestine. Islamic insurance (Takaful) operates on a risk-sharing model that differs fundamentally from the risk-transfer mechanisms used in conventional insurance. However, limited empirical studies have assessed how these differences influence risk management strategies, decision-making processes, and overall resilience in the Palestinian market.

This study seeks to address this gap by conducting a comparative analysis of risk management practices in Palestinian Islamic and conventional insurance companies. It aims to identify the key internal and external risks they encounter, evaluate the effectiveness of their current risk management strategies, and assess how these strategies align with their organizational objectives. Additionally, the study will examine the distinct risk management priorities of Islamic and conventional insurance companies, providing insights into best practices and potential areas for improvement.

1.3 Significance of Study

This study holds both theoretical and practical significance in the field of risk management within the insurance sector, particularly in the Palestinian context.

Theoretical Implications

This research contributes to the existing literature by offering a comparative analysis of risk management approaches in Islamic and conventional insurance companies. While global studies have examined risk management in various financial institutions, there remains a gap in understanding how these strategies are applied within the unique socio- economic and political environment of Palestine. By addressing this gap, the study enhances the theoretical foundation of risk management by integrating insights from both conventional risk-transfer models and the risk-sharing principles of Takaful.

Furthermore, the study expands the discussion on strategic risk management in emerging markets facing high levels of economic and political instability. It provides a framework for analyzing how external risks, such as regulatory uncertainties and market volatility, interact with internal risk management strategies. Additionally, it contributes to the ongoing discourse on Islamic finance by exploring how Sharia-compliant risk mitigation techniques differ from conventional methods and assessing their effectiveness in a challenging market.

Practical Implications

From a practical perspective, the findings of this study will offer valuable insights for policymakers, insurance regulators, and industry practitioners in Palestine. By identifying the key risks faced by both Islamic and conventional insurers and evaluating their existing risk management strategies, the study can provide recommendations for improving resilience and stability within the sector.

For insurance companies, the study will highlight best practices in risk mitigation, enabling companies to refine their strategies to better align with their operational and financial goals. Understanding the differences between Islamic and conventional insurance in risk handling can help industry leaders adopt more effective governance frameworks and enhance decision-making processes.

Additionally, regulators can utilize the study's findings to develop policies that promote stronger risk management frameworks, ensuring the sustainability of the insurance sector amidst political and economic uncertainties. By improving risk management practices, Palestinian insurers can enhance their ability to navigate crises, maintain financial stability, and foster long-term growth.

1.4 Study Objectives

This study seeks to achieve the following objectives:

1. To explore the risk management practices employed by insurance companies in Palestine.
2. To identify the primary internal and external risks faced by both Islamic and non-Islamic insurance companies in the region.
3. To compare the risk management strategies employed by Islamic and conventional insurance companies in mitigating operational, financial, and regulatory risks.

4. To examine how insurance companies align risk management strategies with strategic organizational goals.
5. To analyze the key differences in risk management approaches between Islamic and conventional insurance companies.

1.5 Study Questions

This study seeks to answer the following questions:

1. What are the risk management practices employed by insurance companies in Palestine?
2. What are the primary internal and external risks faced by both Islamic and conventional insurance companies in the region?
3. How do Islamic and conventional insurance companies compare in their approaches to managing operational, financial, and regulatory risks?
4. How do Palestinian insurance companies align risk management strategies with their strategic organizational goals?
5. What are the key differences in risk management approaches between Islamic and conventional insurance companies?

1.6 Study Boundaries

This study is limited to exploring risk management practices within the insurance sector in Palestine. The boundaries of the study are as follows:

1. **Geographic Scope:** The study focuses exclusively on insurance companies including both Islamic and non-Islamic insurance companies, operating in west bank in Palestine, Gaza was excluded from data collection due to the current war situation which makes impossible to part of my research.
2. **Industry Focus:** The research examines risk management specifically within the insurance industry, excluding other sectors such as banking, telecommunications, or manufacturing.
3. **Temporal Scope:** This study is based on data collected during the year 2025, primarily through interviews conducted with representatives of the insurance companies. It does not account for longitudinal changes in risk management practices over time.
4. **Participant Scope:** The participants include six respondents who are key personnel involved in risk management within their respective organizations. These include risk managers, operations managers, and officers responsible for regulatory compliance and strategy implementation. The insights gathered are therefore reflective of their roles and perspectives.
5. **Thematic Scope:** The study is limited to the exploration of risk management strategies, tools, and techniques, as well as compliance with regulatory standards and financial stability measures. Broader aspects of organizational management are beyond the scope of this study.

6. Methodological Scope: The study employs a qualitative approach using semi-structured interviews as the primary data collection tool. Quantitative data, surveys, or statistical analyses are not included in this research.

Chapter Two

Chapter Two: Theoretical Background and Literature Review

The foundational theoretical framework that underpins this research endeavors is elucidated in this chapter. Initially, an overview of Risk Management and insurance will be articulated. Subsequently, prior empirical studies will be examined, focusing on their methodologies and approaches to this subject matter.

1.1 Risk Management

1.1.1 Risk Factors

Risk factors are the components that may introduce risk or raise the possibility of loss, as well as increase the magnitude of the expected material loss due to a specific risk factor or both. For example, the occurrence of a fire accident risk is reduced if a building or factory is built near a fire station compared to erecting such a structure or factory near a gas station (Schrager, 2020). Major corporations had an insurance manager position, which handled obtaining, maintaining, and paying for insurance policies on behalf of the firm. Insurance became more crucial in company budgets, and in 1929, insurance executives convened in Boston to address maritime hazards. The American Management Association formed a division in 1931 to facilitate information sharing and news dissemination among insurance professionals. Insurance has historically served as a doorway to understanding external threats. Although insurance management approaches such as retention, loss prevention, and control were considered alternatives to insurance. The insurance manager saw insurance as an acceptable standard approach to risk management (Barbieri et al., 2017).

The transition from insurance management to risk management was delayed due to the science of management's emphasis on cost, return, expected value, and the scientific method in deciding under uncertainty. Additionally, hazards occur throughout time, coinciding with the company's expansion into insurance management (Baxter et al., 2012).

Controlling risks and reducing their severity has become one of the most important aspects of risk management, leading to a greater emphasis on control that goes beyond modifying the chance of loss happening as a basic premise in the processes of most corporate

institutions. The conclusion reached is that the risk can be managed and limited to the greatest extent practicable but not controlled (Simpson, 2005).

The two figures illustrate the key external and internal risk factors that influence organizations. Figure 1.1: External Risk Factors highlights risks that arise from outside the organization’s control, including financial risks such as interest rate fluctuations, exchange rate variations, and credit ratings, which directly impact investment and borrowing capacity. Additionally, operational risks, including laws, corporate culture, and board structure, play a crucial role in shaping internal governance and compliance frameworks. Strategic risks, such as industry shifts, customer demands, and increased competition, force organizations to adapt quickly to evolving market conditions. Furthermore, environmental risks, such as contract dependencies, natural disasters, and supplier-related uncertainties, pose potential disruptions to supply chains and business continuity. These external risks require companies to implement proactive risk management strategies, such as financial hedging, regulatory compliance, and crisis response planning, to mitigate their impact.

On the other hand, Figure 1.2: Internal Risk Factors focuses on risks that organizations can directly manage and control. Accounting control mechanisms ensure accurate financial reporting and compliance with industry standards, reducing the likelihood of fraud or financial mismanagement. Intellectual capital, encompassing knowledge, skills, and expertise, serves as a critical asset for innovation and competitive advantage. Research and development (R&D) is another key internal factor that influences an organization's ability to innovate and improve its products and services. Liquidity and cash flow management determine an organization’s financial stability and its ability to meet short-term obligations, which is essential for operational continuity. Unlike external risks, internal risks can be addressed through strategic governance, financial planning, and investment in human capital. While external risks necessitate reactive and adaptive strategies, internal risks require a strong organizational structure and effective decision-making to maintain resilience and long-term sustainability. Together, both internal and external risk factors shape an organization’s overall risk profile and determine its ability to navigate uncertainties in a dynamic business environment.

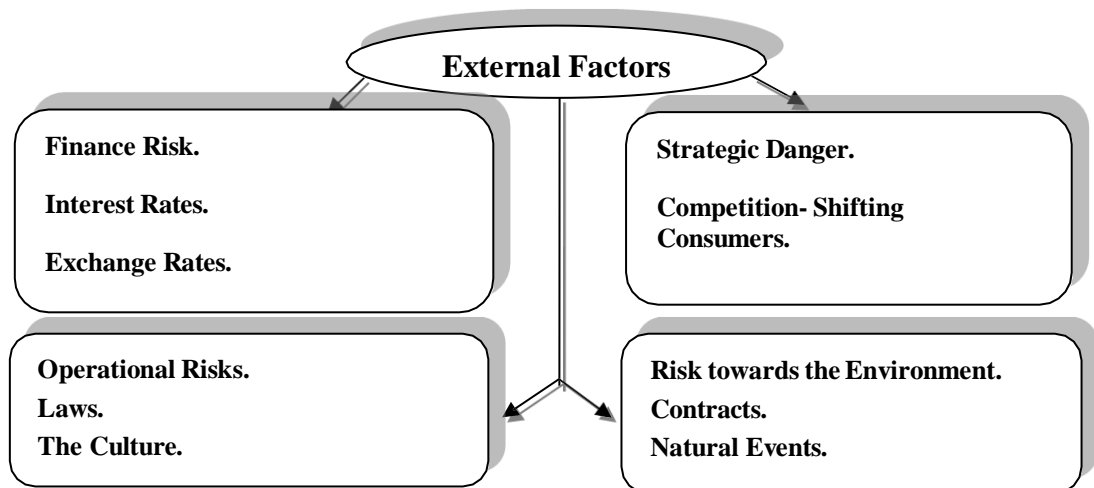


Figure (1.1): External Risk Factors
Source (Schrager, 2020).

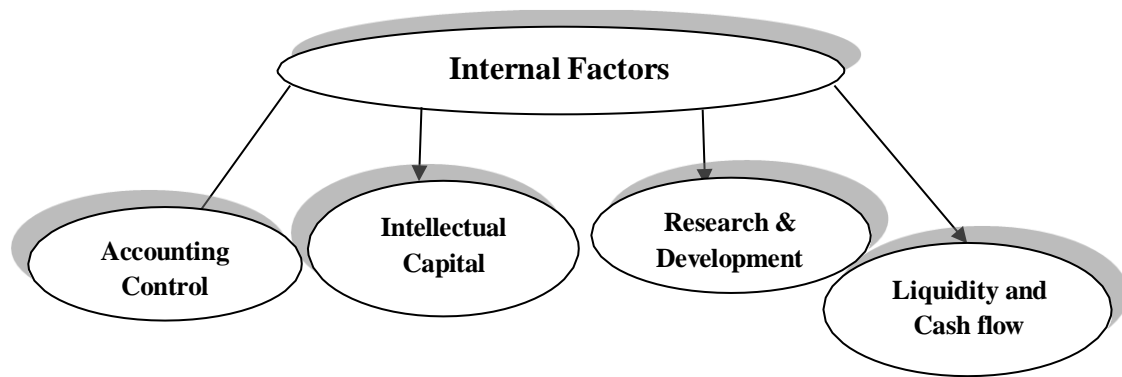


Figure (1.2): Internal Risk Factors
Source (Berg, 2010).

1.1.2 Definition of Risk Management

Risk management can be defined as follows:

- “A collection of scientific procedures that must be considered when deciding to confront hazard to minimize and decrease potential material losses and, ultimately, to lessen uncertainty” (Beasley, Richard, & Hermanson, 2006).
- “The methods that the organization pursues in an orderly manner to tackle the risks linked with its activities to achieve long-term benefits from each activity” (COSO, 2004).
- “An integrated organization that tries to address risks in the best methods, means, and at the lowest cost, by detecting, evaluating, and assessing the risk and selecting the means to confront it, while testing the most appropriate means to reach the intended objective” (Ai, Brockett, Cooper, & Golden, 2012).
- “The decision-making process through which an individual or organization reduces the bad feelings caused by the presence of risk” (Harvey, 2008).
- “The arrangements for risk monitoring and control in the activities and enterprises to which their assets are tied” (Alawneh, 2024).
- “The process of decreasing losses happening in the enterprise's activities as a result of the divergence of the outcomes from the target 'from the enterprise's commercial, financial, and social aims’” (Culp, 2002).
- According to Heinz (2008), risk management is "the primary role associated with detecting, analyzing, and insuring risk."

1.1.3 Risk Management Goals

The objectives of risk management are no less important than the objectives of other sectors and departments in the organization. Usually, there are two main objectives for risk management, which are mitigating the effects of risk and minimizing losses (Cummins et al., 2002). By these two main objectives, other objectives emerge that can be categorized into the following categories:

- Qualitative Goals
 - **Survival:** institutions utilize risk management to secure their economic existence, achieve their goals, and avoid losses caused by pure hazards. This

guarantees that other goals are met without jeopardizing the institution's capacity to attain them (Killin's & Chen, 2020).

- **Reducing Anxiety:** uncertainty and mental distress may have a detrimental influence on an organization's management, exhausting energy and potentially interfering with work and activity, reducing productivity and efficiency (Gachie, 2017).
- **Continuity of Growth:** organizations frequently forgo profit maximization in favor of expansion. As a result, avoiding risks to growth becomes a critical risk management objective (AINmes, 2016).
- **Social Responsibility:** social responsibility seeks to prevent and limit losses by managing institutions' interactions with employees, organizations, and society. This risk management method benefits the community by reducing asset destruction and personal injury (Kapsa, 2018).
- Quantitative Goals
 - Institutional risk management departments give tangible objectives, such as distributing insurance costs based on local injuries or accidents. The Occupational Safety and Health Department works with statistics to authenticate them. Some organizations also utilize a quantitative measure called the cost of risk, which incorporates insurance and stored losses (Siddiqui et al., 2022).
 - Shareholders prefer consistent earnings versus changing ones, and risk management seeks to limit income difference from pure losses while maximizing deductions. (Gassmann et al., 2022).
- Value Maximization Goals
 - Risk management is to protect and improve an organization's values to boost productivity and profitability. It includes identifying and analyzing threats to strategic irrationality. A long-term plan is needed to handle risks and develop decision-making procedures. Double-value management ensures that a business may optimize its value while coping with both external and internal challenges (Kuzmina et al., 2011).

Some of the other objectives of risk management can be summarized as follows (Water's, 2007):

- Obtaining collaboration and coordination between the strategic and operational levels of risk management.
- Creating a risk-aware culture inside the firm and creating a clear strategy and framework for risk management throughout the various business divisions.
- Ongoing and permanent development of risk management procedures, including emergency response and activity continuity.
- Developing and delivering accurate risk reports to the board of directors and stakeholders. Whatever goals the risk management function aims to achieve, it is a systematic process requiring precise processes and set norms regulated by many regulations.

1.1.4 Risk Stability Variable

Retaining maximum control over the risk variable is one of the fundamental goals of risk management for insurance companies. Effective resource allocation, risk assessment and management, employment levels close to the natural rate of the economy, and the elimination of changes in the relative prices of real or financial assets that might threaten financial stability or employment levels are all characteristics of a stable insurance company (Berg, 2010).

1.1.5 Concepts of Risk Stability

Each of these concepts plays a role in maintaining stability and success in risk management, especially within industries like insurance.

- **Effective Resource Allocation**
Project managers employ resource allocation to distribute funds, personnel, tools, equipment, and data to the project areas where they are most needed. A successful resource allocation plan is a combination of science and art. It takes extensive knowledge of one project to allocate resources to others effectively, as resource allocation to distribute funds, personnel, tools, equipment, and data to the project areas where they are most needed as the ability to foresee and precisely estimate the ripple consequences of every choice (Capital Market Authority, 2022).
- **Risk Assessment and Management**
Risk assessment identifies dangers and evaluates all possible risks in the workplace, whereas risk management is an ongoing process that includes finding, assessing, and responding to risk factors. The three main parts of risk assessment are identification, analysis, and evaluation (Harvey, 2008).
- **Employment Levels Close to the Natural Rate of the Economy**
Employment rates reflect the efficiency of skilled and motivated labor resources. Insurance companies with effective risk management strive to maintain consistent employment levels, hence preserving economic stability. This benefits both individuals and the economy as a whole (Michaolk, 2011).
- **Elimination of Changes in the Relative Prices of Real or Financial Assets**
Insurance businesses must actively manage risk to reduce differences in the relative costs of physical and financial assets. Stable asset values safeguard investment portfolios from market fluctuations and ensure financial system stability, which is critical for risk management in the insurance business (Killin's & Chen, 2020).

1.1.6 Methods and Procedures for Risk Management

Risk management is critical for companies because it protects them against risks. It is a systematic procedure that involves detecting, reducing, or modifying risks to achieve goals. Risk avoidance and control are two important risk management methods. Avoidance entails avoiding or decreasing the degree of losses, although it may not prevent all losses or specific purchases. Loss control is separated into two categories: prevention and reduction. Prevention focuses on lowering the likelihood of a given loss. Loss control is successful in reducing costs and preventing workplace accidents. Both systems have advantages and

downsides, thus risk management is an essential component of corporate security (Pand & Ampomah, 2006).

Where an American company (CO.INS.WAUSAU) specializing in risk and loss analysis conducted a study based on the set of services it provides to its customers, which includes many services, such as safety and health services, through designing safety programs and monitoring occupational and industrial health (Berman, 2015):

- According to the research, the yearly level of work injury compensation claims was approximately 12% without loss control systems for every firm with a payroll of one million dollars (about 30 workers) with the existence of these programs.
- The average claim amount increased from \$881 for institutions with loss control to \$2062 for those without loss control. Likewise, without loss control programs, the total yearly expenditures were 8234 dollars, but after activating loss control systems, they were predicted to be 6647 dollars for the year.

The Risk Financing Technique

The risk financing technique refers to the sources that supply cash for the loss after it has occurred or that ensure funds are accessible to pay for the loss that has occurred. Among the risk financing approaches are the following (Alhwari et al., 2012):

A- Retention: Effective risk retention entails predicting and retaining risk exposure, such as vehicle accident losses, but ineffective retention happens when an organization fails to respond, such as poor risk management (Rejda & McNamara, 2017).

Retention may be employed effectively in risk management programs under the following conditions:

1. There are no other methods available to handle the risk.
2. The worst conceivable loss is not substantial.
3. The loss can be predicted with a high degree of accuracy.

As a result, the risk manager must assess the institution's retention level. An organization with a strong financial condition retains more personnel than one with a poor financial status (Qazat, 2009).

There are two ways to describe the approaches for determining the amount of retention (Wiradarma, 2019):

1. The institution can establish the maximum uninsured loss and absorb it without negatively impacting its income. On the other hand, the maximum possible retention should be established.
2. The institution can establish the maximum retention as a proportion of its net working capital, while this technique does not represent the institution's overall

financial position to absorb a loss, it does assess the institution's capacity to finance the loss.

If retention is employed, risk management must find a mechanism to reimburse the losses, which can be accomplished by one of the following methods (Badara & Siti, 2012):

- Current net income allows institutions to reimburse losses as costs for the current fiscal year, potentially outweighing present revenue. Reserve unallocated financial appropriation records actual and anticipated losses.
- A reserve intended for a financial appropriation: the deposit of liquid funds set aside to cover losses.
- Credit facility: A credit line can be created with the bank, through which losses will be compensated when they occur.

Retention strategy benefits as mentioned by Beasley et al., (2006) are:

1. Saving money: If the institution's actual losses are fewer than its predicted losses, it can save money in the long run.
2. Reduced costs: The insurer's (insurance company's) services may be delivered to the institution at the lowest possible cost.
3. Promoting loss prevention: the financial portion kept may provide a stronger incentive to avoid loss.
4. Improved cash flow: The institution's cash flow may increase because it can utilize the quantities of money that are ordinarily provided to the insured at the start of the coverage term.

Disadvantages of the retention method as mentioned by Eling & Holzmuller, (2008):

1. The sums assigned to the loss maintained in the institution may be greater than the amount of the loss, resulting in a bigger loss.
2. As a result of a miscalculation, the retention strategy may necessitate greater costs.
3. Contributions to a reserve assigned to a financial appropriation are not tax deductible; hence it may result in higher taxes.

B- Non-Insurance Transfer: Another type of risk financing is one in which risk is transferred to another company. Examples include contracts, leases, and other types of transfers without insurance. Carriers without insurance provide numerous benefits in risk management systems (Kinney, 2003) such as:

1. The risk manager can pass on some potential losses that are not economically insurable.
2. Transportation without insurance is typically less expensive than insurance.
3. A non-insured transfer transfers the potential loss to someone who is in a better position to conduct loss management.
4. The risk financing option is optional, allowing for more control over claims; and it ensures high-quality preventative actions.

Transportation without insurance also offers downsides including (Michaolk, 2011):

1. The transfer of potential loss may fail because the contract wording is ambiguous.
2. If the person to whom the potential loss is transferred is unable to repay the loss, the institution will suffer a loss.
3. Carrying without insurance may not always save money since the insurer may not give the carriers credit.

C- Insurance: Commercial insurance is employed in risk management programs and is regarded as one of the most significant aspects of the programs (Ahmad, 2001). While using insurance, the risk management must keep the following considerations in mind:

- Choose the insured.
- Insurance coverage options.
- Items are negotiated.
- Get information on the insurance coverages.
- Items are reviewed regularly.

All of these procedures assist the firm in protecting its material and human assets by adhering to a set of criteria that make risk management judgments more precise and distinct (Simpson, 2005).

1.1.7 Risk Management Rules

With the growth of risk management as a functional field of management, more attention has been dedicated to the creation of its concepts and procedures with the goal of providing guiding rules for risk management decision-making. These rules are:

A. Do not risk more than you can afford to lose:

The first and most crucial rule of the three rules for risk management decision-making is: "Don't put more money in danger than you can afford to lose." This guideline tells us which risks we must take and which ones to avoid; considering that some risks cannot be avoided (Maiti, 2021).

The magnitude of losses and the size of retention remain a difficult issue and a problem presented in the institution, and this is dependent on the organization's overall capacity to manage the potential loss, the institution's cash flow and liquid reserves, and its ability to increase cash flow in case of emergency, and for each institution, some losses can be covered by cash flow, while others require taking Cash reserves, and others from borrowing, as losses that are greater than the ability of these reserves to bear may occur (Lleo, 2009).

B. Think of the possibilities:

The one who can assess the likelihood of a loss is in a better position. It assists him in dealing with hazards, but a lack of such information has the opposite effect (Wiradarma, 2019). The chance of a loss occurring or not occurring is less relevant than the potential severity of the loss if it does, and even when the probability of loss is minimal, the potential severity is taken into account. For example, the potential severity of the loss relates to the risks that must be addressed, i.e. the risks that cannot be kept, and so understanding the rate of the chance of loss happening as weak, moderate, or high assists the risk management in selecting what to do about these risks (International Association of Insurance Supervisors, 2012).

The logical use of probabilities in risk management decision-making is confined to scenarios in which the decisions to be investigated do not contradict the first rule of risk management, "not taking greater risks than the ability to bear the loss."

This rule requires the risk manager to consider risks even if the likelihood of their occurrence is relatively low since, if they occur, substantial damage to the institution may result (Jankensgard & Alvinuissen, 2009).

C. Do not risk much for little:

The foundation of this rule needs an acceptable relationship between the expense of transferring risks and the value that accrues to the transferee, and it goes in two directions (Wesley & Rigada, 2019): The first is that the risk should not be kept if the potential loss is significant (in comparison to the premiums saved by retention (a little)). On the other hand, sometimes the premium required for risk insurance is too expensive in comparison to the transferred risks, and in these circumstances, the premiums represent (a lot) while the possible loss represents (a little).

1.1.8 Steps in the Risk Management Process

The risk management process constitutes a continuous endeavor that encompasses the identification, analysis, and assessment of risks, alongside the formulation of responses to each scenario at both strategic and operational management tiers. In the phase of risk identification, the potential sources of disruptions and the ramifications of events are scrutinized, taking into account both external and internal factors (Burstein & Zuckerman, 2023):

The initiative commences with the collection of data, conducting interviews, and observing the operational processes.

Subsequently, the risk analysis phase involves the evaluation of the risk magnitude associated with each event, considering the likelihood, outcomes, ancillary effects, and the control mechanisms implemented to mitigate the risk, as well as their effectiveness.

Ultimately, a thorough risk assessment integrates the preceding stages, thereby facilitating informed decisions regarding the management of each identified risk. Decision-

making may encompass a spectrum ranging from inaction and acceptance of the entire risk (about low-risk events) to the implementation of various preventive measures; in extreme cases, a project may be forsaken due to excessive risk. The flow chart presented in Figure (2.1) illustrates the risk management process, which is widely recognized within the industry and is frequently adopted as a standard methodology (Abdeljalil et al., 2022).

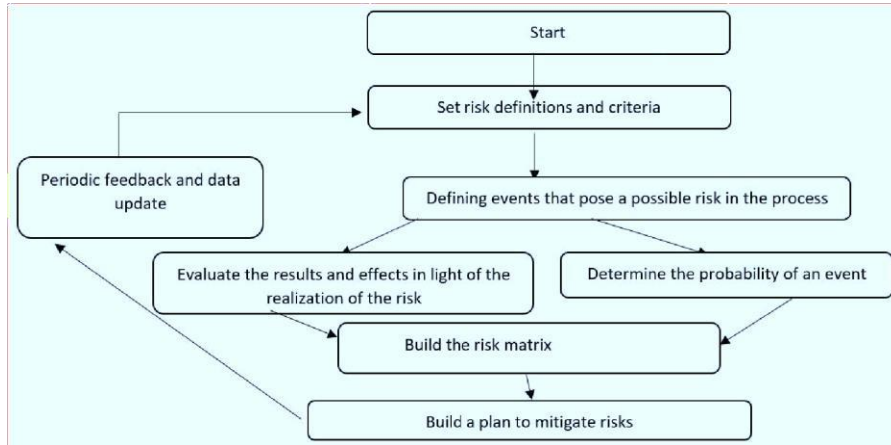


Figure (2.1): Risk assessment process flow chart
 Source: (Burstein and Zuckerman, 2023).

The risk matrix (RM) framework is a widely utilized approach for articulating risks within the industrial sector (Abdeljalil et al., 2022). This analytical paradigm, illustrated in Figure (2.2), indicates that elevated risk levels (represented by the red squares within the RM framework) arise from factors that have a high probability of occurrence combined with the magnitude of the potential adverse impact. Elevated risk levels necessitate an immediate intervention, whereas lower risk levels (depicted by the green squares) represent risks that may be tolerated without the need for urgent and substantial actions.

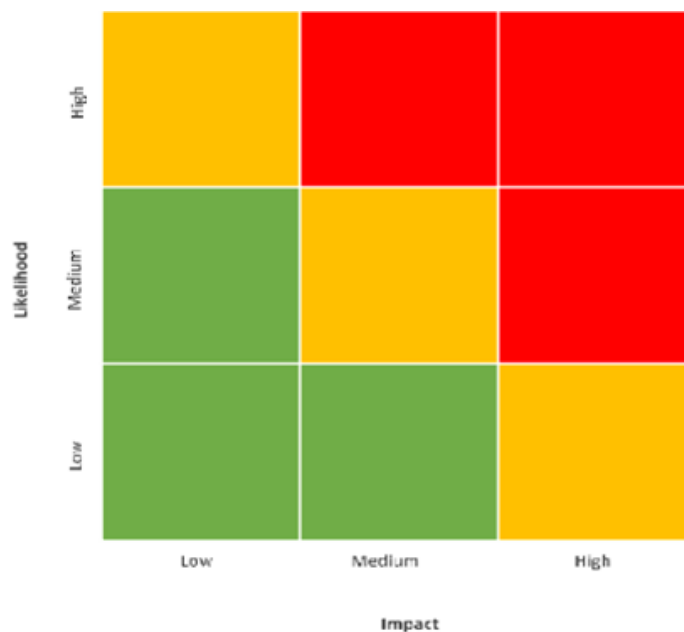


Figure (2.2): The risk matrix model

Source: (Burstein and Zuckerman, 2023).

- **Model: Risks – Opportunities**

This model demonstrates how to examine risk and opportunity probability by evaluating them (high, medium, and low), characterizing them, and showing the indications that suggest them. The goal of this model is to examine the risk in terms of its likelihood of occurrence and the potential repercussions (Samiti, 2017).

Table (2.1): The Potential for Risks and Opportunities

Rating	Description	Indicators
High (possible)	Expected to occur each year or the chance of it occurring more than 25%	Expect it to happen a few times over a period certain (10 years, for example), which is a realization that risks newly
Average (possible)	expected to occur within 10 years or so the chance of it happening is less than 25%	It may happen more than once during a certain period (10 years, for example), and no resulting experience about it happening
Low Far	Not expected to happen within 10 years or so the chance of it happening is slim	It has never happened before, which is not a likely occurrence

Source: (Water's, 2007).

Note: The figures and percentages (10%, 25 years) vary from institution to institution owing to varying reasons for assessing the outcomes and the likelihood relevant to their needs, as well as risk assessment on a high, medium, or low scale.

1. **Determining alternatives and choosing the appropriate means to face the Risk:** The risk manager makes strategic decisions for a company, taking into account elements such as loss likelihood, physical size, risk factors, and available resources when determining the best way to address each risk after it has been identified and assessed (Gassmann et al., 2022). If the measures of support for dealing with the risk were chosen correctly, it would result in higher efficiency and effectiveness in addressing and opposing hazards, i.e. making the correct decision at the right time.
2. **Implementation of the decision:** If we decide to shift the risk to another party, such as an insurance firm, we must first select the proper insurer and negotiate with him before contracting the policy. For this reason, the institution must create a dedicated department or fund (Bertinetti et al., 2013).
3. **Evaluation and review:** Evaluation and review are critical components of risk management systems because they enable the identification and correction of problems before they become expensive. Risk management is continuously changing, and current solutions may not be suitable in the future. While some businesses seek outside assistance, internal processes and procedures are still required to properly manage risk and prevent losses (Bertinetti et al., 2013).

2.1.9 Insurance Process Overview

Risks are transferred from risk owners to insurers, who further split, diversify, and aggregate them (Makkawi, 2022):

- The insurer's risk commitment is a social obligation, which includes insurance coverage for all risk owners during the period.
- Insurance premiums are paid by risk holders in advance, ensuring legal coverage.
- The contract governs the legal responsibilities and rights of both the risk bearer and the insurer, subject to basic retirement regulations.
- Technical regulations govern the insurer's job, distinguishing the insurance process from others.

1.2 Insurance

Insurance offers assurance and protection against unforeseeable hazards and damages, allowing individuals, regardless of wealth, to counteract the negative consequences of natural disasters and their causes, regardless of personal or financial losses (Edmead, 2007).

1.2.1 General Concepts of Insurance

The desire to feel safe and assured has accompanied man throughout the ages, and the first field in which this desire was embodied was the field of marine risks, which may be due to the intensification of trade exchange between the countries located on the two shores of the Mediterranean Sea, and this system began in the form of the marine loan, which is exemplified in That a well-to-do person offers the owner of the ship or the shipper what he needs of money in return for the feature of retrieving the loan money, given that the ship and the commodities it transports reach secure locations, and this system is quite similar to insurance, particularly for the borrower, since it gives him with the necessary assurance, except that it varies from the insurance system for the insurer or the lender in that it did not, he only receives the insurance premium, which is a required component of the policy, and the loan if the risk is not materialized (Giannakis & Louis, 2011).

That was very substantial at the turn of the century; the insurance system included various previously unknown areas, such as liability insurance, traffic accidents, and all sorts of transportation, land, sea, and air. Accidents resulting from satellite launches into space, as well as other problems, represent a hazard to atomic and nuclear installations, which were widespread throughout early industrialization (Lleo, 2009).

1.2.2 Definition of Insurance

Scholars attempted to provide a concise definition of insurance that encompassed all of its facets (Harrington, 2017):

1. A linguistic definition of insurance: In the Arabic language, insurance is derived from security, which means soul reassuring and fear eradication, it can refer to a variety of things, including providing security, such as military insurance.
2. Idiomatic insurance definition: The closest modern financial word to insurance is "providing security," because insurance is a commercial activity whose objective is to insure individuals and businesses against part of what they fear in exchange for cash recompense.
3. Insurance definition history: Numerous French experts have worked on the definition of insurance without reaching a consensus (Cirule et al., 2011):

Table (2.2): Definition of Insurance

Year	Definition
1880	As stated by HEMARD, (1880), It is a process in which one of the parties receives a guarantee in favor of a third party from the insurer, who takes on a set of risks and creates a set-off between them in accordance with statistical rules.
1931	It is described by the researcher PLANIOL, (1931) as "a contract in which the insured gets a pledge from the insurer to compensate him with an amount of money in the case of a certain risk, in exchange for payment of a premium or previous subscription."
1940	And SUMIEN, (1940) defined it as follows: "It is a contract in which a person, known as the insurer, agrees to present to another person, known as the insured, the potential loss as a result of the occurrence of a specific risk in exchange for an amount of money paid by the insurer to the insurer to add to the subscription balance allocated to compensate for the risks."
2003	Insurance may also be described economically as: "a tool to decrease the risk facing an individual by assembling a sufficient number of units exposed to the same risk (such as a vehicle, home, warehouse, etc. "To make the losses to which each individual is exposed collectively and predictable. Every unit owner can subscribe to a portion that is ascribed to that risk". In other words, the concept of insurance today is based on pooling and subscribing (Davies & Podpiera, 2003).
2022	It is an agreement wherein the first party, the Insurer, commits to lead to the second "insured" party or to the beneficiary for whom the insurance has prescribed an amount of money, income, salary, or any financial recompense. The most recent "Insured Sims" in the case of an accident or the realization of the "Risk" as specified in the contract in exchange for a "premium", or any other financial contribution made by the insured to the insured (Saddik et al., 2022).

Source: (Cirule et al., 2011)

We can determine that this definition is a legal definition of insurance by looking at the terms: insured, beneficiary, insurance premium, and insurance amount (Deuchars, 2004):

1. The insured: is the one who requests insurance for the danger that he may face in his person or property or that may happen to others.
2. Beneficiary: He is the one who receives the benefit from the insurance contract. The beneficiary might be the insured or anybody else named in the contract.
3. Insurance deductible: It is the sum paid to the insurer by the insured in return for insurance coverage.
4. The amount of insurance: It is the sum that the insurer is required to pay to the insured when the insured risk occurs.
5. Insurance is also defined as "a method or system aimed at protecting individuals and establishments from potential material losses as a result of the realization of the insured risk, by transferring the burden of this risk to the insurer, who undertakes to compensate the insured or the beneficiary for all or part of the material loss." obtained in exchange for the insured paying a premium or monthly payment set on specific mathematical and statistical grounds.
6. Insurance is defined as "a means primarily aimed at protecting individuals and organizations from material losses arising from the realization of possible risks that may occur in the future and cause physical losses, and individuals or organizations have nothing to do with their occurrence."

7. Insurance: "It is an economic technique of replacing a high prospective loss with a small, verified loss." A huge loss is a loss that occurs as a result of a risk being realized. The insurance premium is responsible for the tiny verified loss.

1.2.3 Insurance Company's Jobs

We can determine the Insurance Companies Job as we notice in Lleo, (2009), as follows:

- A. Pricing function: This function is associated with determining the premium that must be collected from the insured for a certain risk against which he desires to insure." As a result, this function calculates the price of each form of insurance independently, and this is proportional to the degree of chance of risk realization, as well as the quantity of insurance and other elements, such as the conditions surrounding the object insured against, are considered.
In addition, the person in charge of setting insurance pricing is known as an actuary because he relies on studies, he performs to offer the required information on which insurance costs are based.
- B. Underwriting function: Underwriting function: selecting and classifying insurance applicants according to the policy determined by the company in a way that achieves its goals and objectives. The company's policies differ according to the goals it pursues. May be to obtain the largest group of different insurance policies that give low profit. The goal of its policy may also be to get the least number of insurance policies that provide high profit. The company may sometimes resort to developing a guide specifying the risks that it accepts insurance, as well as the geographical areas in which it operates.
- C. Production function: we mean by production in the insurance activity, the sales and marketing activities that are carried out by the insurance company, where the latter sells the insurance service of subscribing contracts for the benefit of customers.
- D. Claims settlement function: The Corporation pays the compensation owing to the insured through this function. When the insured risk occurs, there is a body in the insurance company that specializes in reviewing the filed claims files and determining the compensation due.
- E. Investment function: involves managing the funds collected from insurance premiums. While these funds can be invested to generate returns, the company must carefully consider its investment strategy.
- F. Reinsurance function: This function implies that the insurance company transfers a portion of the risk to another party willing to take the risk, which is frequently the reinsurance firm, and the reinsurance contract is identical to the insurance contract, except that the parties are different. The parties to the reinsurance contract are the insurance company and the reinsurance firm (the reinsurer).

1.2.4 Insurance Ratings

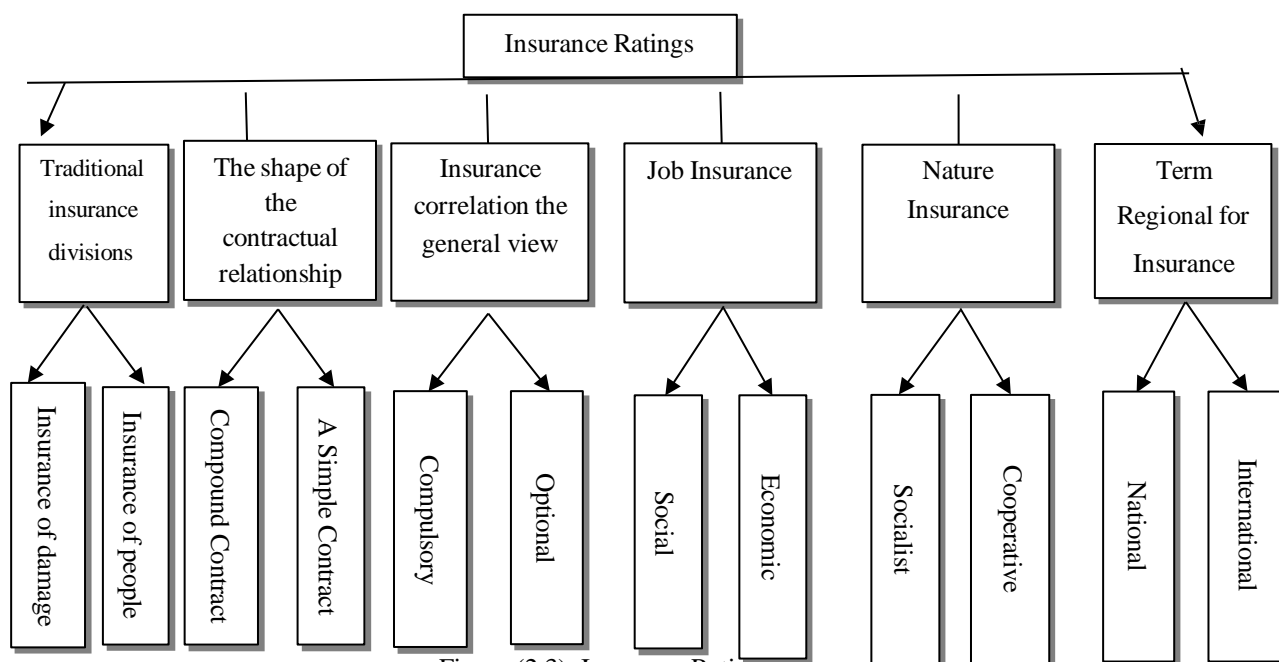


Figure (2.3): Insurance Ratings

Source: (steve, Doug, & others, 2013)>

1. The Regional Range of Insurance:

Insurance can be classified according to the regional terms to national and international insurance, and one of its first forms is cooperation between countries and the requirement of bilateral or collective agreements to arrange and organize this issue, this is also reflected in the operations of major risk insurance that companies often engage in. National insurance may involve the contribution of foreign companies, especially in industries like maritime and air insurance, where international collaboration is essential. Additionally, reinsurance becomes important, as both governmental and private insurance companies turn to reinsurance to manage risks that lie outside their national borders, often by partnering with foreign enterprises. (Steve et al., 2013).

2. Classification of Insurance Given its Normal:

There is insurance based on collaboration and participation, known as reciprocal insurance, and insurance based on solidarity between individuals, with no set installment, known as commercial insurance, which is in use in Maghreb and European nations. (Steve et al., 2013).

3. Insurance Classification, given the Job it Performs in Society:

Insurance performs an important economic function in society by ensuring security from the damage and losses that various types of activities can be exposed to, such as industrial, commercial, agricultural ...etc., as it has become widely accepted by economic institutions insurance against many risks, but rather became this is required in many nations. The social insurance function is carried out through the social insurance system in the event of a disaster (such as professional diseases, work accidents, etc.) (Steve et al., 2013).

4. Insurance classification based on its relationship to the public system:

This classification differentiates between optional insurance, which is applicable in most countries and in many insurance operations, and compulsory insurance, which is required by public order requirements and is applicable in many countries due to various considerations, including social ones, to protect others' civil liability and to protect workers in accidents. Employment and illnesses and preventative measures to preserve human life from accident damage might be due to the dangers of specific hobbies or professions, such as insurance in educational and sporting institutions and medical activities (Mazouni, 2008).

5. Insurance classification based on contractual relationship:

Insurance is divided into two types: insurance that occurs under a simple contract and insurance that occurs under a complicated contract. The most common types of the latter are as follows (Meulbroek, 2002):

- First, insurance against specific risks and joint insurance. Insurance companies may agree to cover certain risks in collaboration with two or more other companies, which is known as compound insurance.
- Second, segmented insurance is when one individual files insurance for one object to many insurance companies, and each business agrees to cover a portion of particular risks. Compound contracts include reinsurance contracts.

6. Insurance Classification according to its Conventional Divisions:

This group separates personal insurance from damage insurance. Life insurance is one type of personal insurance that the Palestinian legislature has approved. Property and money insurance are among the several forms of damage insurance. Many dangers associated with industrial, commercial, and agricultural operations are incorporated in this framework. Damage insurance also covers liability insurance, such as the automobile owner's civil responsibility to third parties and the employer's civil liability to employees (Ilic et al., 2011).

1.2.5 The Contribution of Insurance to Economic Development

Insurance plays a vital part in the economic growth process. Capital, through financial reserves that are collected from insurance premiums with companies, which companies use to finance economic development plans by using them in various aspects of investment, in addition to the fact that insurance helps the state obtain what it needs from loans, using the amounts collected by insurance companies. Individually, insurance streamlines the process of borrowing from banks through the guarantee of the insurance policy, and so works as a credit facilitator. It is also a technique of saving, absorbing little money directed by individuals to the purchase of consumer products, such as insurance premiums, and saving them with companies that, in turn, save them and contribute to the funding of the development process as a result of its investments (Rejda, 2003).

Insurance encourages people to invest in diverse initiatives because it provides them with confidence, security, and the bravery to start their enterprises by assuaging their anxieties about losing money as a result of being exposed to hazards (PIF, 2015).

In addition to the role of preventive insurance against risk in society, companies take precautionary measures when accepting insurance, where companies send their committees to conduct risk detection on the facilities to be insured and to provide recommendations to provide safety means that limit the possibility of falling (Eikenhout, 2015).

2.3 Insurance in Palestine

The insurance industry, together with the banking and judicial sectors, is one of the most significant economic sectors and one of the three sides of the triangle of economic stability. It attempts to control national economic risks by safeguarding national savings as well as the lives and property of individuals and organizations. It aggressively promotes economic growth (Davies & Podpiera, 2003).

The insurance sector in Palestine has seen substantial expansion since the Palestinian Capital Market Authority took over oversight and administration of the insurance sector. Its evolution included not only tripling the size of the insurance portfolio and increasing the amount of compensation given by insurance companies but also the level, nature, and quality of insurance services supplied to the public, increasing their variety, as well as boosting the amount of insurance companies' capital and the quality of their investments (Sharb, 2013).

2.3.1 Historical Overview of the Insurance Sector in Palestine

Since the Ottoman period, Palestine has had insurance, with the "Guarantee Contract Law" establishing financial damages and losses. Law No. 18 was passed in 1929, while Law No. 8 was enacted in 1947 as part of the British Mandate. After the 1948 catastrophe, Jordan's parliament passed Insurance Companies Regulation No. 24 and Control Regulation No. 76 (Shaheen et al., 2020).

In 1976, Israeli legislation required employees to get insurance. Several Palestinian insurance companies were founded, including The National Insurance Company, Arab Levant Company, Trust International Insurance, Palestine Insurance Company, Al-Dahlia Insurance Group Company, Arab Accident Insurance Company, American Life Insurance Company, and Palestine Mortgage Financing Corporation (Qazat, 2009).

Established in 2005, the Palestinian Federation of Insurance Companies fosters trust in Palestine's insurance market, engages with authorities, and disseminates insurance expertise.

The number of insurance companies permitted to operate by the Authority reached 12 at the end of 2022, and they provide a variety of insurance services (Capital Market Authority, 2022).

2.3.2 Legal Reference for Palestinian Insurance Companies

The Palestine Capital Market Authority Law No. 13 of 2004 is the law that established the Capital Market Authority, Insurance Act No. 20 of 2005, In addition to the Authority's instructions, rules, judgments, and orders, which are distributed to insurance companies and brokers and are all published on the Capital Market Authority's website (Shaath, 2012).

Main Components of the Insurance Sector in Palestine (Capital Market Authority Annual Report 2013:71):

1. General Insurance Administration at the Capital Market Authority.
 2. General insurance businesses approved by the Palestinian Capital Market Authority.
 3. The Palestinian Fund for Traffic Accident Compensation.
 4. The Palestinian Insurance Companies Federation.
 5. Insurance agents.
 6. Relevant People.
 7. General Insurance Administration at the Capital Market Authority.
- General Insurance Administration at the Capital Market Authority:
1. Monitoring each stock exchange to ensure the safety of transactions, insurance businesses, financial leasing companies, and mortgage financing organizations.
 2. Organizing, managing, and overseeing non-banking financial institution operations, such as securities trading and non-banking financial services.
 3. Coordinating the disclosure of any financial data or information about non-banking transactions.
 4. Monitoring the growth of non-banking financial organizations to ensure the safety of their operations.

Insurance companies:

In 2020, Insurance companies that have gained the appropriate licenses to do insurance business. The Palestinian market comprises eight companies that are summarized and operate in the West Bank (Abdeljawad & Masri, 2020).

The Palestinian Fund for Accident Compensation:

The Palestinian Fund for Compensating Road Accident Lamps was formed under Article 170 of the Palestinian Insurance Law to replace the fund established by Resolution No. 95 of 1995 to recompense victims of road accidents who were unable to receive insurance compensation (Palestine Economic Policy Research Institute, 2016):

- If the driver who caused the accident is unknown.
- If the driver fails to carry insurance per the terms of this law,
- If the insured is insolvent.
- If the driver has insurance, yet it does not cover the collision at issue due to using the vehicle for a purpose that is not indicated in the license, the driver is operating the car without a valid driver's license or with a license that does not enable him to operate the same type of vehicle (Palestine Economic Policy Research Institute, 2016):
- If the insured committed fraud, misrepresentation, or concealed essential facts when obtaining the insurance policy.
- Any other case where the policy does not cover the obligation to compensate under the provisions of this law. Law No. 20 of 2005 on Insurance in Palestine.

2.3.3 Insurance Companies in Palestine

In 2024, These are insurance businesses that have obtained the appropriate permits and licenses to conduct insurance activities. The number of licensed Palestinian insurance businesses operating in the West Bank has increased to 12 (Capital Market Authority, 2024).

Eight of the twelve companies are involved in commercial insurance (including one in life insurance and one in mortgage insurance).

The following table shows the most important data regarding insurance companies operating in Palestine:

Table (2.3- a): Insurance companies operating in Palestine

Company	Year Founded	Provided Insurance Services	Company's share from total insurance sector written premium %	Written premiums In 2023 (US Dollar)
Al-Mashreq Insurance Company.	1992	Health insurance, insurance against risks Accidents and professional liability, insurance against fire hazards and property damage, and marine insurance.	10.7%	42,354,766
Palestine Insurance Company.	1994	Health insurance, accident and professional liability insurance, fire and property damage insurance marine insurance.	14.2%	55,949,257
American Life Insurance Company	1996	Life insurance	0.1%	407,338

Table (2.3- b): Insurance companies operating in Palestine

Company	Year Founded	Provided Insurance Services	Company's share from total insurance sector written premium %	Written premiums In 2023 (US Dollar)
National Insurance Company.	1993	Health insurance, accident and professional liability insurance, fire and property damage insurance marine insurance.	13.6%	53,761,806
Trust International Insurance Company.	1994	Health insurance, accident and professional liability insurance, fire and property damage insurance marine insurance.	16.7%	66,020,373
Ahlia Insurance Group Company.	1994	Health insurance, accident and professional liability insurance, fire and property damage insurance marine insurance.	6.7%	26,282,835
Palestine Mortgage Insurance Company.	1997	Mortgage insurance.	0.0%	102,302
Palestinian Takaful Insurance Company.	2008	Health insurance, accident and professional liability insurance, fire and property damage insurance marine insurance.	14.7%	58,288,757
Global United Insurance Company.	2010	Health insurance, accident and professional liability insurance, fire and property damage insurance marine insurance.	13.5%	53,183,202
Tamkeen Palestinian Insurance Company.	2018	Health insurance, accident and professional liability insurance, fire and property damage insurance marine insurance.	8.0%	31,705,043
Al Baraka Insurance Company.	2022	Health insurance, accident and professional liability insurance, fire and property damage insurance marine insurance.	1.8%	7,123,814
Al Aradi Almuqadasa Insurance Company	2022	Health insurance, accident and professional liability insurance, fire and property damage insurance marine insurance.	0.0%	0
Total			100%	395,179,493

Source: https://www.pcma.ps/wp-content/uploads/2024/08/Ins_por_2023_Q4.pdf.

2.3.4 Risks and Challenges facing the Insurance Sector in Palestine

According to the Palestinian Economic Policy Research Institute, there are many challenges facing the Palestinian insurance sector and can be summarized in the following points (Abdel Jawad et al., 2020):

- Misunderstanding of insurance's role in security, economic, and social benefits.
- Inability of low-income individuals and organizations to afford high insurance premiums.
- Disparity in insurance businesses' reliability, resulting in loss of faith.
- Disregard for global insurance industry trends that affect client interests.
- A negative view of insurance companies' profitability and high premiums as a result of bad marketing and advertising techniques.
- Palestinian personnel lack insurance experience, with weak training and qualification processes.

2.3.4 Risk Management in Insurance Companies

Given that insurance companies, like other institutions, operate in an unpredictable environment and are vulnerable to numerous risks, dealing with risks and dealing with them is necessary in order to reduce the impacts that affect the functioning of insurance companies (Abdeljawad & Masri, 2020).

2.3.5 Underwriting Risk Management

Managing the risks of the subscription portfolio in direct insurance companies means finding specific ways to control the risk, such as limiting the frequency of its occurrence or minimizing the size of the losses that result, which results in reducing the degree of risk in the insurance company's management about the subscription portfolio it has, all at the lowest possible cost (Aebi et al., 2012).

Management of Underwriting Risks in Insurance Companies:

The Management of underwriting risks in insurance companies are restricted to the following procedures:

1. Discovering the Dangers Specific to Each Subscription Process Separately:

It is difficult for the insurance company to discover Risks in every insurance process accurately unless the principle of good faith is available to the insured, and that is by disclosing All material data related to the insured risk that affects the acceptance or rejection of insurance risk on the one hand, and at the expense of the net and sufficient premium on the other hand (Ai et al., 2012).

Regardless of its good faith, the insurance company must do the appropriate insurance assessment before subscribing to it.

2. Examine the Risks Involved:

Before subscribing to a risk, the insurance company normally examines it and collects reliable data about it to understand the nature of the risk, its causes, and its link to other existing risks (Steve et al., 2013).

3. Measuring Acceptable Risks Quantitatively:

In general, the quantitative measure of acceptable risks indicates numerous things; the following are the most significant operations (Schich, 2009):

- Determine the level of danger.
- The likelihood of an accident occurring.
- Calculating the largest possible loss.
- Conduct the required comparisons for each risk individually.
- Putting the risks accessible to the insurance business in a numerical order.

4. Selecting the Best Method for Managing Acceptable Risks:

The following are the most significant methods of acceptable risk management (Schich, 2009):

- Avoiding risk (subscribing to risk).
- Controlling risk through underwriting policies.
- Continue to take the risk.
- Passing on the risk to another party (reinsurance).

2.3.6 Investment Risk Management

If the fundamental goal of the individual investor is to earn an adequate return, then investment bodies with future commitments, such as banks and social insurance agencies, consider it even more vital.

Factors to be made while investing in insurance company funds include (Insurance Information Institute, 2010):

- Property and Liability Insurance Contracts & Investment
- Short-term contracts require prompt compensation settlement.
- Investment income is vital for covering unforeseen underwriting expenses.
- Insurance companies' liabilities demand liquidity, which necessitates simple selling or advertising.
- Inflation requires evaluation of purchasing power owing to rising losses.
- Insurance companies meet their commitments by investing in lucrative, dependable investment channels.
- Different types of regulation, notably monitoring and control, are required when investing in assets.

These principles relate to how insurance companies manage their investments to ensure financial stability and protect policyholders' interests. Here's a breakdown of each concept (Insurance Information Institute, 2010):

Rules Governing the Investment of Insurance Companies' Funds as mentioned by Davies & Podpiera, (2003) include the following:

- **The principle of guaranteeing the invested funds:** it is intended to preserve the invested funds and not expose them to total or partial loss, as insurance companies are not permitted to invest their funds in high-risk investments because the majority of these funds represent the funds of insurance policyholders and it is not permitted to speculate with them.
- **The concept of liquidity:** This refers to insurance companies' capacity to transform diverse investments into liquid cash at a certain period in order to meet their commitments on time.
- **The idea of obtaining a reasonable and consistent investment rate:** This refers to the capacity of the money invested in various assets to provide a reasonable investment return for the organization.
- **The diversification principle:** it implies not focusing on a single sort of investment so that investments are not overexposed, this sort of investment may cause the firm to vibrate.
- **The concept of stability:** refers to the relative stability of the company's investment portfolio structure and the absence of change. Its structure undergoes a sudden, quick, or dramatic transformation.

2.3.9 Insurance Company Risks and How to Manage Them

In recent years, insurance supervisors and regulators around the world have become more interested in establishing standards that help verify the level of financial solvency of insurance companies, to protect both policyholders and parties dealing with insurance companies, as well as for the benefit of the insurance bodies themselves (Enz, 2000).

Insurance Company Risks.

Insurance companies are vulnerable to risks that jeopardize their financial solvency, which hurts them. Underwriting risks, investment risks, and other risks that cause losses to the insurance business if they materialize are among the dangers to which they are exposed. Thus, the insurance company must safeguard its solvency (International Association of Insurance Supervisors (IAIS, 2019).

Here's a summary of the concept of financial solvency for insurance companies:

1. **General financial solvency:** This refers to a company's ability to meet its financial obligations, including paying investment returns, and covering all expenses on time.
2. **Insurance companies' solvency:** The company can fulfill its commitments on time, supported by liquidity, adequate reserves for losses, and proper pricing strategies.
3. **Solvency calculation:** Solvency is determined by comparing the company's assets and liabilities, factoring in reinsurance, to assess if it can meet its obligations to policyholders.

4. **Solvency defined:** It's the capacity to fulfill financial commitments when due.
5. **Alternative view:** Some define solvency as the overall financial strength of the insurance company, where it is considered financially healthy if premiums and investment income exceed its obligations and expenses.

▪ **Risks affecting the financial solvency of insurance companies.**

We separated the capital theory based on risk into three dangers influencing financial solvency. The primary groupings are as follows (Saddik et al., 2022):

A. Subscription risks:

- Underwriting Risks in Insurance Sales.
- Underwriting risk is the gap between actual and expected insurance claims.
- Effective underwriting helps insurance companies stay competitive and protect consumers.
- Both new and old insurance policies contribute to the excess.
- Underwriting management should avoid making judgments that hurt the company's interests.

B. Investment risks:

While selecting the varied investment plans of any of the insurance businesses, it also takes into account the principles that must be accessible in the insurance company's investments, which are guarantee, profitability, liquidity, and diversity. While developing the investment policy for the insurance company's funds, the study and measurement of investment risks must also be considered. As a result, while accomplishing its goals through a mix of investment assets, the company's investment portfolio must take the preceding aspects into account (Anam & Sahi, 2019).

We concluded that the danger of storing cash is the number of negative or positive discrepancies between the suitable and real amount with the insurance business.

C. Other Risks:

Insurance companies, like other businesses, face several risks, which they insure among themselves (through insurance companies), and the risks they face are the same as those sold at the insurance company level, such as (Ibrahim, Nyor, & Olumide, 2020):

- Fire Risk
- Accident Risk

2.4 Previous Studies

Study (Makkawi, 2024) Entitled: The Impact of Risk Management Practice on the Business Performance of Insurance Companies in Palestine

Risk management is a dynamic process that involves taking all necessary steps to identify and address risks that impact the organization's goals. The objective of this paper is to investigate the impact of risk management practices, specifically risk identification, on business performance in insurance companies in Palestine. The study employed an explanatory research design, and data were collected from a random sample of 140 employees from insurance companies in Palestine using a well-structured questionnaire. The results of this paper revealed a positive relationship between risk identification and business performance. As the levels of risk identification increase, business performance also tends to improve.

Study (Alawneh, 2024) Entitled: The Impact of Risk Management on the Relationship between Governance and Profitability in Insurance Companies in Palestine and Jordan

This study aimed to identify the impact of risk management on the relationship between governance and profitability. This study was conducted on a sample of the insurance sector in the Amman and Palestine Stock Exchanges for the financial period (2015-2022). The study sample consisted of (26) companies distributed across the Amman and Palestine Stock Exchanges. The financial reports and disclosures of the insurance sector were relied upon to extract the required data. The governance components were measured by the number of board members, the independence of the board of directors, the number of members of the audit committee and the independence of the audit committee as independent variables and profitability as the dependent variable, while the modified variable was measured by risk management. To achieve the objective of the study and reach the results, multiple regression analysis was used. The study concluded that there is an insignificant relationship between the number of board members and the rate of return on assets. As for the number of members of the audit committee, the study concluded that there is a negative and statistically insignificant relationship. However, with regard to the independence of the audit committee, the study concluded that there is a negative effect on the rate of return on assets, and risk management had a positive and statistically significant effect on the rate of return on assets. That is, we accept the null hypothesis that there is no effect between risk management and profitability represented by the rate of return on assets.

Study (Khalaf, N, 2023) Entitled: The Impact of Enterprise Risk Management (ERM) on the Financial Performance of Palestinian listed companies on the Palestine Exchange Market

This study mainly aimed to test the impact of risk management for companies listed on the Palestine Exchange Market on financial performance. The study relied on the descriptive analytical approach through a questionnaire through which the primary data for the study was collected. The size of the study population reached (48) companies, and (81) questionnaires were distributed to employees in the Corporate Risk Management Department and distributed to (27) companies operating in the Palestine Exchange Market. (66) questionnaires were retrieved from them, with a recovery rate of 81.4% of the original study population. The questionnaire was transcribed and analyzed through the statistical analysis program (SPSS).

The results showed that corporate risk management positively affects the financial performance of companies listed on the Palestine Exchange Market. In addition, continuous monitoring and monitoring efforts, and the presence of dedicated risk management organizational structures play a crucial role in improving financial performance and enhancing corporate success. In addition to the presence of moderate positive relationships between the dimensions of corporate risk management and financial performance to contribute to achieving better financial performance for companies listed on the Palestine Exchange Market, the study also found that there are no statistically significant differences on the axis of risk management in its various dimensions due to the variables (age, academic qualification, certificate and professional).

Study (Siddik et al., 2022) Entitled: “Impacts of Insurers’ Financial Insolvency on Non- Life Insurance Companies’ Profitability: Evidence from Bangladesh”:

A stable and strong insurance business plays a critical role in supporting an economy that is resistant to economic shocks by offering an effective risk-transition mechanism. Little research has been done on the influence of insurers' financial bankruptcy on insurance business profitability. Using panel data from 16 non-life insurance businesses in Bangladesh from 2011 to 2019, this study examines the effects of insurers' financial bankruptcy on insurance company profitability as evaluated by return ratios, return on assets (ROA), and return on equity (ROE). According to the fixed-effect regression results, insurers' financial bankruptcy has a considerable negative impact on the profitability of non-life insurance companies. Additional research indicates that financial leverage, technological provision, age, and inflation all have a significant negative effect on profitability.

The results of this research are more important for policymakers dealing with insolvency and developing measures to improve insurance profitability growth. Furthermore, the research intends to serve as a model for other nations' insurance industries to follow in terms of financial bankruptcy recovery measures.

Study (Erziqat, 2021) Entitled: Risk Management of Takaful Insurance in Palestine (practical study – Takaful company)

The study aims to describe the Takaful insurance industry in Palestine, and then try to identify the axes of risks to which this industry is exposed, specifically the Palestinian Takaful Insurance Company as a case study. It derives from it, and the questionnaire was used to know the risks of insurance from the workers’ point of view, considering that they face these risks on a daily basis. The study reached many results, the most important of which were: The Takaful Insurance Company in Palestine suffers from risks related to the legal aspect, as there is no law regulating the Takaful insurance business in Palestine, There is no coordination between Islamic insurance companies in Palestine, which makes them competitive among themselves, Inconsistency in the fatwa issued by the Sharia Supervisory Boards on the Takaful insurance industry in Palestine, The Takaful Company is facing difficulty in reinsurance with other commercial companies, Most of the employees of the Takaful company have nothing to do with Takaful insurance or insurance in general.

Study (Makkawi, 2021) Entitled: Risk management in Palestine in the small insurance industry

This study focuses on risk management in Palestine and the provision of insurance services to small projects in dangerous areas, as the aim of the study is to clarify the Palestinian vision of danger as an entry point for providing new services. risk management in an attempt to build a more modern insurance sector through sustainable access to insurance services in a modern and modern way and keep pace with the status quo on the ground in light of reducing the existing political solutions by the occupation and trying to control all Palestinian economic resources, developing aspects of the economy in particular in rural areas, assisting risk management steps, and trying to identify the most common risks in Palestine. The study use the descriptive approach to describe the case of the study in order to know the most common risks and treat them and develop the insurance sector The results are expected to help increase knowledge of the most common risks for small projects and try to develop the insurance sector in Palestine in a modern way that deals with the economically complex environment of risks until the risks are addressed and with the help of modern steps to manage risks for the development of the Palestinian economy.

Study (Zwawe et al., 2021) Entitled: Mechanisms of Risk Management in Cooperative Insurance Companies "Salama Cooperative Insurance Company model.

The research sought to address the issue of takaful insurance and the risks to which takaful insurance companies are exposed as they provide sharia-compliant insurance, to look for mechanisms and justifications to manage these risks, especially because they are exposed to risks that will affect their stability, which negatively reflects on the Cooperation Fund's shareholders, and to identify these objectives we used the descriptive approach to clarify all connotations. Salama was discovered to be vulnerable to several risks, including insurance and reinsurance risks, liquidity concerns, and credit risk. Salama Risk Management creates methods and standards to decrease and reduce these risks through reinsurance or diversification, and these risks influence the company's activities.

To address this issue and become familiar with its most important aspects, the descriptive approach was used to become acquainted with the various concepts related to Takaful insurance and risk management, and the analytical approach was used to study and identify the mechanisms and methods used in Takaful insurance risk management.

One of the most important findings and recommendations of this study is the growth of Takaful insurance, which is considered a result of providing insurance products that are by the principles of Islamic law, which has brought a large segment of the Islamic community that does not want to deal with usury. Takaful insurance is based on the members' mutual guarantee. Takaful insurance businesses are exposed to risk with the assistance of other participants as a consequence of joint ownership of the Takaful Fund for the holders of the cooperation papers themselves.

Study (Shaheen et al., 2020) Entitled: Investigation of the Pillars of Sustainability Risk Management as an Extension of Enterprise Risk Management on Palestinian Insurance Companies' Profitability.

The panel dynamic (Generalized Method of Moments) GMM model was used to analyze the concurrent connection between sustainability risk management (SRM) as an extension of Enterprise Risk Management (ERM) and Palestinian insurance businesses' profitability from 2007Q1 to 2018Q4. The literature was expanded by providing a thorough understanding of determining the ERM pillars using the factor analysis principal component method. The studies found that ERM1 implementation strongly correlated with business profitability, which symbolizes "management efficiency." In contrast, it corresponds negatively to ERM2 implementation, which reflects "control and ownership." Additionally, there were small unfavorable indicators from managing leverage utilization, and they were conservative in terms of loss reserves. The problems of corporate profitability have inversely correlated with rising sustainability concerns, such as political stability, causing premiums written to exhibit weak symptoms of excessive risk selection or prices that are not rigorously fulfilled. Surprisingly, the association between ERM2 deployment during the crisis period and insurance business profitability is favorable. There is a strong causal link between ERM and profitability (either positive or negative). The opposite causality is also present but to a lesser amount. As a result, the study suggests a more coherent alignment with the implication of ERM as holistic risk according to market characteristics towards environmental dangers leads to sustainable growth and its segments to preserve the longer term of survival in the organizations' performance.

Study (Abdeljawad et al., 2020) Entitled “The Determinates of Profitability of Insurance Companies in Palestine”:

This research examined the elements that influence the profitability of insurance businesses in Palestine. Unbalanced panel data from seven insurance operations from 2006 to 2018 were used to develop a linear model linking factors theoretically hypothesized to affect insurance firm performance and profitability. The findings found that size, expansion, and liquidity positively impacted profitability. Still, motor claims had a big negative impact on profitability. Other criteria, such as claims and leverage ratios, have no substantial impact on profitability. The key consequences of these findings are that insurance companies should diversify their insurance portfolio away from automobile insurance and maintain better liquidity levels to improve their profitability furthermore, some insurance businesses are advised to combine with other organizations to enhance size and get economies of scale.

Study (Mansour & Jaaron 2018) Entitled: Developing enterprise risk management model: the case of the Palestinian insurance sector

This study is an attempt to develop a risk management model for insurance organizations operating in the context of the developing country of Palestine. An exploratory qualitative study using semi-structured interviews, archival documents, and observations was adopted in this research inquiry. Data were analyzed using a thematic analysis approach. Although data analysis shows that Palestinian insurance organizations' managerial practices are relatively in regulatory compliance with risk management practices, the results highlight

the necessity of providing a supportive organizational culture and capacity-building functions to provide highly qualified insurance professionals as a cornerstone for insurance companies' competitiveness in developing countries. The developed managerial model is important as it identifies the determinants of a successful enterprise risk management realization that will help the insurance companies in developing countries' context to improve their strengths and maintain sustainable growth.

Study (Bajenescu, 2015) Entitled: Risk management procedures and methods ISO 31000.

The descriptive technique was utilized in this study to define the procedures, methods, and safety in the risk management process. The study concluded that ISO 31000 provides global complementary approaches that lead to the assessment and prioritization of risks of different natures, within the same analysis, as well as provides an explicit representation of the risk components (risk management); in addition, it provides the use of methods that do not present additional complexities about the system. This has been examined and ultimately includes simple risk maps. The research advised that in times of uncertainty, plans be articulated clearly, and that experts and decision-makers change their tactics and methodologies.

Study (Ngoro et al., 2015) Entitled Utilization of Risk Management within Small Businesses.

This research intended to manage small company risks at the administrative level for small businesses owned by black persons in Johannesburg, South Africa, with no more than ten years of experience, and there are only five enterprises. The questionnaire was employed in the descriptive analytical technique. The study concluded that these five companies do not manage strategic or business risks, but instead manage risks for compliance purposes, and that small businesses do not have an applicable risk management policy and procedures, but instead manage risks instinctively, with no official records of decisions, procedures, or methods used. Assess the level of strategic importance of the risk; the Conclusion Small companies frequently handle risk at the operational level, while ignoring strategic activity.

The study recommended that small businesses conduct formal strategic planning on an annual basis and set work objectives during that time, that a person be assigned within small businesses to play the role of risk management, that risk management be included in daily tasks and business, and that employees be trained on the principle of risk management and the mechanism of its application in small projects.

Study (Kansh, 2014) entitled “Analysis and Assessment of the Financial Performance of Insurance Companies: An Applied Research on The National Insurance Company, a paper from 2001 to 2010”:

The purpose of this research was to learn about and analyze the financial performance of insurance businesses. Throughout the study period (2011-2013), the study sample consisted of the National Insurance Company SAA, and several statistical approaches such as descriptive statistics and multiple regression analysis were applied. The results showed that the permanent working capital was negative during the study period and that the permanent funds were insufficient to cover its fixed assets with no margin of safety, confirming the lack of soundness of the financial situation in the near-term medium levels, as it was discovered that the Permanent working capital had decreased during the first year. The report advised that the institution control all expenses since this helps to boost both financial and economic profitability and minimize working capital demands by regulating the aspects of the independence cycle.

Study (Badara and Saidin, 2012) Entitled: The Relationship between Risk Management and Internal Audit Effectiveness at Local Government Level.

The purpose of this study was to determine the link between risk management and the efficacy of internal auditing. By reading and researching prior and specialized literature, we can determine the degree of local governance in Malaysia. As a result, this study added to the growing body of literature on the effectiveness of internal audits in risk management at the government level in Malaysia. According to the study, risk management has an impact on the efficacy of internal auditors at the local level. The study ended with the proposal that more factors with both internal audit and risk management, as well as the function of management, be studied, as well as the inclusion of an intermediate variable between risk management and internal audit effectiveness.

Chapter Three

Chapter Three: Study Methodology

This study employs a qualitative research methodology to provide a deeper understanding of risk management practices in Palestinian insurance companies. A qualitative approach is chosen because it allows for in-depth exploration of the perspectives, experiences, and practices of professionals within the industry. This methodology is well-suited for understanding complex, context-specific phenomena such as risk management, which is influenced by both internal and external factors. Qualitative research enables the collection of rich, detailed data that can capture the nuances of risk management strategies in the Palestinian context, which quantitative approaches might overlook. Moreover, qualitative methods like interviews provide an opportunity to explore participants' insights and professional judgments, offering a more comprehensive understanding of the challenges faced by insurance companies.

3.1 Study Instrument

The primary instrument for data collection is semi-structured interviews. This tool is designed to allow flexibility while ensuring that all relevant aspects of risk management are covered. Semi-structured interviews consist of open-ended questions that enable respondents to share their experiences and perspectives in their own words, while still providing some guidance on the key topics. In this study, the interview questions cover areas such as risk identification, internal and external risks, risk mitigation strategies, strategic risk management, and compliance issues. The interview guide includes 19 open-ended questions tailored to address these areas.

The use of semi-structured interviews allows for the gathering of qualitative data that provides deeper insights into the risk management practices at both Islamic and conventional insurance companies. These interviews facilitate a thorough exploration of each participant's role, challenges, and risk management strategies. For further validation, the interview protocol is informed by existing literature on risk management in the insurance sector (Settembre-Blundo et al., 2021; George, 2020).

3.2 Study Population

The study population includes professionals working at both Islamic and conventional insurance companies in Palestine. These individuals are involved in risk management, ensuring that their perspectives are relevant and contribute to a comprehensive understanding of the practices employed in the sector. The focus is specifically on risk managers, officers, and executives who play significant roles in identifying, evaluating, and mitigating risks.

In total, six participants were selected from different insurance companies to ensure diverse perspectives across organizational structures and operational contexts. The sample consists of three participants from Islamic insurance companies and three from conventional insurance companies, ensuring a balanced representation of both models. The professionals selected for the study hold senior positions related to risk management, including roles in operational risk analysis, strategic management, and regulatory compliance.

3.3 Study Sample

A purposive sampling technique was used to select participants with relevant expertise and experience in the field of risk management. The sample includes a total of six participants, selected from both Islamic and conventional insurance companies in Palestine. Table (3.1) provides detailed information about the study sample:

Table (3.1): Study Sample

Company Name	Respondent Name	Position	Number of Employees	Years of Experience in Risk Management	Company Established Year
Islamic Insurance Co.	Respondent 1	Risk Manager	120	10 years	2005
Islamic Insurance Co.	Respondent 5	Risk Officer	120	8 years	2005
Islamic Insurance Co.	Respondent 6	Risk Officer	120	7 years	2005
Conventional Insurance Co.	Respondent 2	Risk Analyst	80	6 years	2010
Conventional Insurance Co.	Respondent 3	Regulatory Compliance Officer	80	5 years	2010
Conventional Insurance Co.	Respondent 4	Strategy Manager	80	9 years	2010

This purposive sampling ensures that the participants are well-versed in risk management practices and have substantial experience in both operational and strategic aspects of risk management. The participants were selected based on their expertise in managing risks specific to the Palestinian insurance market, including financial, operational, and compliance risks.

3.4 Data Collection Methods

Data collection was conducted through semi-structured interviews to allow for flexibility in exploring the participants' experiences while maintaining focus on the research questions. The interviews provided an opportunity to gather in-depth insights from risk management professionals, ensuring that the study captures the full range of perspectives on risk management practices.

Each interview lasted approximately 45 to 60 minutes, providing enough time for respondents to share detailed responses. Interviews were conducted between November and December 2024 and were scheduled according to the availability of the participants.

To ensure the accuracy and reliability of the data, all interviews were audio-recorded with the consent of the participants. The recordings were then transcribed verbatim. In addition, detailed notes were taken during the interviews to capture non-verbal cues and other relevant observations.

The interviews were guided by an interview protocol that focused on key aspects of risk management, including risk identification, mitigation strategies, challenges faced, and the role of Sharia compliance in Islamic insurance. All participants were informed of the study's purpose and provided with informed consent before participating.

3.5 Data Analysis Methods

The data collected from the interviews were analyzed using thematic analysis. This method was chosen because it allows for the identification of common themes and patterns across interviews, providing a comprehensive understanding of the various risk management practices employed by insurance companies. Thematic analysis is particularly effective for qualitative data, as it enables researchers to explore participants' responses in depth and identify key issues that emerge from the data.

The thematic analysis involved the following steps:

1. **Transcription:** All interviews were transcribed verbatim to ensure that no important details were missed.
2. **Familiarization:** The researcher read through the transcripts multiple times to become familiar with the content and ensure a thorough understanding of the data.
3. **Coding:** The data were coded to identify significant themes and patterns. Codes were generated inductively based on the content of the responses.
4. **Theme Development:** Similar codes were grouped to develop broader themes related to risk management strategies, challenges, and effectiveness.
5. **Interpretation:** The themes were interpreted to answer the research questions and to draw conclusions regarding the risk management practices employed by both Islamic and conventional insurance companies.

The use of thematic analysis is supported by its ability to uncover patterns and insights within qualitative data, making it an ideal method for exploring the complexities of risk management in a relatively under-researched context such as Palestine (Braun & Clarke, 2006). This approach enables the researcher to analyze rich data that reflects the participants' lived experiences and professional expertise in risk management.

Chapter Four

Chapter Four: Empirical Results

4.1 Introduction

This chapter presents the findings of the study, exploring the internal and external risks faced by Palestinian insurance companies and the strategies they adopt to mitigate them. It examines how these companies assess, identify, and manage risks while highlighting the differences in risk management approaches between Islamic and non-Islamic insurers. Furthermore, the chapter analyzes the role of strategic risk management in promoting the stability and sustainability of these companies.

The results provide a comprehensive understanding of the challenges and methodologies within the Palestinian insurance sector, emphasizing the significance of adopting tailored risk management tools and strategies.

4.2 General Questions

Role within the Company

- **Islamic Insurance Companies:** Respondent No. (1) from an Islamic insurance company described his role as a risk manager, responsible for managing and mitigating risks to ensure the company's stability and financial sustainability. Respondent No. (5) from an Islamic insurance company stated that his role involves identifying, evaluating, and managing risks to support the company's continuity, collaborating with teams to ensure effective risk management practices.

Respondent No. (6) from an Islamic insurance company focused on identifying, analyzing, and mitigating risks related to business operations, particularly for insurance products and services.

- (2) from a non-Islamic insurance company works on analyzing and identifying operational, financial, and administrative risks and updating the risk register.

Respondent No. (3) from a non-Islamic insurance company acts as an operations manager, ensuring the effective implementation of company strategies and managing work teams. Respondent No. (4) from a non-Islamic insurance company focuses on identifying and assessing risks, ensuring compliance with regulatory requirements.

Key Insights:

Both Islamic and non-Islamic companies prioritize risk evaluation and management. Islamic companies emphasize risk assessment for insurance products, while non-Islamic companies focus on regulatory compliance and risk register updates.

Experience and Expertise in the Insurance Field

- **Islamic Insurance Companies:** Respondent No. (1) emphasized balancing effective risk management with compliance to Islamic Sharia principles, enhancing the company's stability. Respondent No. (5) has over 8 years of experience, working across roles like risk management, product development, and strategy, with a strong focus on Sharia compliance. Respondent No. (6) has a robust background in risk management strategies, financial data analysis, and market practices.
- **Non-Islamic Insurance Companies:** Respondent No. (2) works on implementing business plans approved by senior management and supporting the company's departments. Respondent No. (3) has held various roles in risk management, marketing, and financial analysis, focusing on local market conditions. Respondent No. (4) focuses on understanding insurance policies and the functioning of the insurance market.

Key Insights:

While both groups agree on the importance of risk management, Islamic companies focus on Sharia compliance, while non-Islamic companies focus more on marketing, financial analysis, and local market analysis.

Main Internal Risks

- **Islamic Insurance Companies:** Respondents identified compliance risks, operational risks, human risks, and financial risks as major internal threats, with a focus on the impact of technology, employee-related challenges, and regulatory compliance.
- **Non-Islamic Insurance Companies:** Respondents highlighted reputational risks, human resources risks, legal risks, and risks related to data management and change management.

Key Insights:

Both groups agreed on operational, financial, and human risks. However, Islamic companies concentrated on compliance and regulatory risks, while non-Islamic companies emphasized reputational and data management risks.

Main External Risks

- **Islamic Insurance Companies:** Respondents identified economic risks (e.g., inflation, market fluctuations), legal risks (e.g., changes in laws and regulations), political risks (e.g., unrest), and natural risks (e.g., natural disasters) as external threats.
- **Non-Islamic Insurance Companies:** Respondents focused on political and security risks, including the impact of political instability and conflicts, economic volatility, and regulatory compliance risks.

Key Insights:

Economic and political risks were commonly acknowledged by both groups. Islamic companies emphasized natural disaster risks, while non-Islamic companies focused more on political instability and operational risks.

Risk Assessment and Identification

- **Islamic Insurance Companies:** Respondents use risk matrices and tools for quantitative and qualitative analysis, alongside historical data reviews to identify risks and assess their likelihood and impact.
- **Non-Islamic Insurance Companies:** Respondents focus on establishing a risk management framework, reviewing performance reports, and utilizing SWOT analysis to assess risks.

Key Insights:

Both groups utilize similar analytical tools like risk matrices and historical data. The key difference is that Islamic companies focus on classifying risks by likelihood and impact, while non-Islamic companies focus more on establishing a comprehensive risk management framework.

Action Plans for Identifying and Dealing with Risks

- **Islamic Insurance Companies:** Respondents mentioned having comprehensive action plans, including crisis management strategies, coordination with relevant teams and authorities, and post-crisis recovery procedures.
- **Non-Islamic Insurance Companies:** Respondents confirmed having structured action plans to address risks as they arise, including crisis communication strategies and restoring normal operations after crises.

Key Insights:

Both groups have structured action plans for dealing with risks. Islamic companies highlighted the role of Sharia compliance in crisis management, while non-Islamic companies focused on operational recovery and coordination with teams.

Questions about strategic and operational risks:

Strategic Risk Management in Companies

Respondents from both Islamic and non-Islamic insurance companies emphasized the importance of strategic risk management as a key component in achieving their company's overall objectives.

- **Islamic Insurance Companies:** Participants noted that strategic risk management helps ensure that the company can achieve its strategic goals efficiently, minimize the impact of potential risks, and remain competitive. A strong strategic risk management plan allows the company to adapt to changes and improve its stability.
- **Non-Islamic Insurance Companies:** Respondents highlighted that strategic risk management aids in informed decision-making, scenario planning, and improving resilience. The focus was on identifying risks early and managing them proactively to maintain business continuity.

Overall, both groups agreed that effective strategic risk management is crucial for achieving business goals, enhancing competitiveness, and ensuring the smooth running of operations. The main difference lies in the focus of Islamic companies on long-term goals and trend analysis, while non-Islamic companies emphasized decision-making and scenario planning.

Operational Risk Management and Mitigation Measures

Both Islamic and non-Islamic insurance companies described their approach to managing operational risks, with a shared focus on identifying risks early and implementing effective measures to mitigate them.

- **Islamic Insurance Companies:** Respondents mentioned conducting comprehensive operational reviews, employee surveys, and risk assessments to identify vulnerabilities in processes such as claims management. They also emphasized the importance of implementing quality management practices, continuous monitoring, and regular employee training.
- **Non-Islamic Insurance Companies:** Participants from non-Islamic companies focused on incident response plans, post-incident analysis, and continuous evaluation of internal procedures. Additionally, emergency response plans and advanced IT systems for monitoring and reporting were highlighted.

In both groups, the focus was on improving internal processes to reduce risks, with Islamic companies emphasizing the role of ongoing operational monitoring, while non-Islamic companies prioritized crisis management and recovery plans.

Pre-prepared Risk Mitigation Plans vs. Crisis Management

When asked about the approach to risk management, respondents from both Islamic and non-Islamic insurance companies emphasized the importance of having pre-prepared risk mitigation plans.

- **Islamic Insurance Companies:** Participants indicated that a pre-prepared mitigation plan is the optimal strategy for addressing risks. These plans involve identifying potential risks and taking preventive measures to reduce their impact. Emergency issues are handled through rapid response procedures to ensure continuity.
- **Non-Islamic Insurance Companies:** Respondents similarly highlighted the importance of pre-prepared risk mitigation plans, which include preventive strategies and continuous monitoring of potential risks. The key difference was that non-Islamic companies emphasized the need to regularly review and adjust these plans based on new information and changing circumstances.

Both groups agreed on the necessity of proactive risk management, but Islamic companies placed more emphasis on implementing preventive strategies, while non-Islamic companies advocated for continuous monitoring and updating of plans based on evolving conditions.

Questions about risk management tools and techniques:

Risk Management Tools and Models Used by Companies

Respondent No. (1) from an Islamic insurance company mentioned that they use a Risk Matrix model to assess and classify risks based on their likelihood and impact. Respondent No. (5) from the same company highlighted the use of various tools like risk and opportunity analysis, scenario simulation models, and business impact analysis, along with integrated risk management programs. Respondent No. (6) also from an Islamic insurance company noted the use of Value at Risk (VaR) analysis, Monte Carlo simulations, and scenario analysis to evaluate risks under different market conditions. On the other hand, Respondent No. (2) from a non-Islamic insurance company referred to SWOT analysis to identify strengths, weaknesses, opportunities, and threats, aiding in strategic risk management. Respondent No. (3) from the non-Islamic insurance sector described the use of quantitative risk analysis, statistical analysis, and simulation models to develop mitigation strategies. In contrast, Respondent No. (4) emphasized using experience and numerical calculations to assess risks. Overall, all respondents affirmed the use of various risk management tools, with Islamic insurance companies prioritizing structured methodologies like VaR and simulation models, whereas non-Islamic companies tend to rely on a broader mix of tools such as SWOT and statistical analysis. This reflects a contrasting approach in risk management between the two sectors.

Effectiveness of Risk Management Tools and Techniques

Respondent No. (1) from an Islamic insurance company highlighted that modern tools are effective in addressing risks by identifying root causes and offering proactive solutions. Respondent No. (5) stated that the tools they use improve the accuracy of risk analysis and allow for early identification of risks, which helps in reducing their impact. Respondent No. (6) emphasized that these tools provide valuable insights, enhancing decision-making through in-depth data analysis. Respondent No. (2) from a non-Islamic company found that SWOT analysis offers insight into both internal and external factors

affecting risk management. Respondent No. (3) shared that their techniques help improve accuracy in predicting risks, developing mitigation strategies, and adapting to sudden changes. Respondent No. (4) noted that their method of analyzing customer data allows for predicting potential risks and offering better risk management options. Both Islamic and non-Islamic insurance companies agreed that modern tools effectively enhance the accuracy of risk predictions and improve mitigation strategies. However, the focus differed slightly, with non-Islamic companies placing more emphasis on SWOT and other qualitative techniques, while Islamic companies focused more on root cause analysis and proactive insights.

Use of Data and Technology in Enhancing Risk Management

Respondent No. (1) from an Islamic insurance company explained that automation of processes, such as claims processing and cloud technology, improves operational efficiency and collaboration. Respondent No. (5) pointed out that big data analysis and integrated systems are essential for forecasting risks and identifying patterns. Respondent No. (6) emphasized the role of data analysis in enhancing risk assessment and supporting decision-making. Respondent No. (2) from a non-Islamic company mentioned the use of customer data analysis to understand behaviors and tailor risk management strategies. Respondent No. (3) highlighted the use of AI and big data to analyze historical data and predict future risks, improving decision-making and operational risk management. Respondent No. (4) noted that big data and predictive models help identify potential risks, improving risk estimates and reducing inaccuracies. Both Islamic and non-Islamic insurance companies agreed on the significant role of technology, particularly big data and AI, in improving risk management processes. Islamic companies emphasized automation and cloud technologies, while non-Islamic companies focused more on customer behavior analysis and the personalization of insurance products.

Risk Management and Crisis Response Procedures

Respondent No. (1) from an Islamic insurance company mentioned that their approach to risk and crisis management includes developing risk mitigation strategies, identifying potential risks, and planning for emergencies before a crisis. During a crisis, rapid response is crucial to control the situation, protect employees, and restore operations. Respondent No. (5) emphasized the importance of developing emergency plans, conducting training, and maintaining constant communication with stakeholders during a crisis. Respondent No. (6) focused on evaluating the crisis response afterward, documenting lessons learned, and improving future preparedness. Respondent No. (2) from a non-Islamic insurance company highlighted the importance of establishing communication protocols and providing internal and external updates during a crisis. Respondent No. (3) noted their focus on preventive strategies and training, alongside the implementation of response plans and stakeholder communication during crises. Respondent No. (4) emphasized proactive identification of risks, emergency plan implementation, and performance analysis during crises. Both Islamic and non-Islamic respondents agreed on the importance of planning for risks and crises, with an emphasis on mitigation strategies, regular drills, and rapid responses. The key difference lies in the focus on internal coordination and external communication, with Islamic insurance companies placing more emphasis on rapid internal action and non-Islamic companies prioritizing stakeholder communication.

Compliance and Regulations

Maintaining Compliance with Regulatory Requirements

- Islamic Insurance Companies:
 - Respondent No. (1): The company maintains compliance through open communication with regulatory authorities, requesting clarifications, and adhering to directives based on inquiries.
 - Respondent No. (5): Compliance is ensured by following the latest regulatory updates, conducting training for employees, and performing internal reviews.
 - Respondent No. (6): The company regularly monitors regulatory updates, develops policies in line with legal requirements, and conducts internal audits to ensure compliance.
- Non-Islamic Insurance Companies:
 - Respondent No. (2): They rely on internal and external legal teams to interpret and implement regulatory requirements.
 - Respondent No. (3): Compliance is ensured through monitoring regulatory updates, developing policies, and having dedicated teams to manage compliance processes.
 - Respondent No. (4): The company creates an internal compliance framework by studying legal requirements and establishing policies and procedures for compliance.

Crisis Management and Preparedness

Both Islamic and non-Islamic insurance companies emphasize the importance of preparing for unforeseen risks and crises. The consensus is that companies should identify risks, implement preventative strategies, and conduct regular drills. The key difference lies in the approach to crisis management:

- Islamic Insurance Companies focus on internal coordination and intentional reporting.
- Non-Islamic Insurance Companies prioritize establishing communication protocols with external parties and stakeholders.

Challenges in Compliance

Challenges in Complying with Regulatory Standards

- Islamic Insurance Companies:

- Respondent No. (1): Employee resistance to change is a significant challenge. It is addressed through training, education, and open communication.
- Respondent No. (5): Frequent changes in laws and legislation pose challenges, which are addressed by keeping up with legal updates, providing training, and consulting legal advisors.
- Respondent No. (6): Changes in regulations and the increasing reporting requirements are addressed through the use of legal advisors and automation technologies.
- Non-Islamic Insurance Companies:
 - Respondent No. (2): Ensuring data accuracy for regulatory reporting is challenging. The company addresses this by implementing strong data governance practices.
 - Respondent No. (3): Frequent changes in regulations and unclear guidelines are addressed through legal advisors, training, and automation.
 - Respondent No. (4): The rapid changes in laws and regulations due to the political situation in Palestine are considered a crisis. Continuous follow-up and updating policies are the main strategies for coping with this challenge.

Common Challenges and Solutions

Both Islamic and non-Islamic insurance companies agree that the major challenges related to compliance are primarily linked to frequent changes in laws, employee resistance to change, and the need for data accuracy and integrity.

- Common Solutions: Hiring legal counsel, providing regular employee training, and employing automation technologies.
- Varied Approaches:
 - Islamic Companies focus on addressing employee resistance to change.
 - Non-Islamic Companies focus more on data management and data governance.

Financial Risk Management Strategies

1. Managing Financial Risks, Such as Market Fluctuations and Credit Risks

Both Islamic and non-Islamic insurance companies highlighted the importance of managing financial risks through various strategies to ensure stability and minimize potential losses. The common strategies mentioned include:

- **Diversification of Investment Portfolio:** This reduces the risks associated with market fluctuations.
- **Hedging Tools:** Tools such as futures contracts and price options are used to mitigate the impact of market fluctuations.
- **Liquidity Management:** Ensuring sufficient liquidity to meet obligations and manage unexpected financial shocks.
- **Continuous Monitoring and Adaptation:** Regular evaluation of financial performance and adjusting strategies based on market changes.

Islamic insurance companies focused more on developing response plans to manage financial crises and evaluating credit quality, while non-Islamic companies emphasized liquidity management and stress testing to ensure preparedness for unexpected cash flows.

2. Ensuring Financial Stability

The strategies to maintain financial stability are centered around improving operational efficiency, liquidity management, and long-term financial planning. Common strategies include:

- **Liquidity Management:** Ensuring that the company has enough liquid assets to meet its short-term obligations.
- **Financial Planning and Forecasting:** Developing annual budgets and financial forecasts to allocate resources effectively and track financial performance.
- **Operational Efficiency:** Continuously improving processes to reduce costs and increase productivity.
- **Diversification of Revenue Sources:** Focusing on expanding revenue streams to reduce dependency on a single source.

While both Islamic and non-Islamic companies agree on the importance of liquidity management and operational efficiency, Islamic companies focus more on allocating financial reserves and diversifying revenue streams. Non-Islamic companies, however, place more emphasis on developing long-term strategic plans and ensuring board oversight of financial practices.

Future Vision for Risk Management in the Insurance Industry

1. **Evolution of Risk Management in the Insurance Industry Over the Next Five Years**
Both Islamic and non-Islamic insurance companies agree that risk management will evolve significantly in the coming years, driven by technological advancements and the increasing importance of environmental, social, and governance (ESG) risks. Key trends that will shape the future of risk management include:

- **Technological Integration:** The use of big data analysis and artificial intelligence (AI) will become integral in predicting and managing risks more effectively.

- Environmental and Social Risks: A growing focus on climate change and sustainability will lead to the development of strategies to manage environmental risks and align with global sustainability trends.
- Regulatory Changes and Emerging Risks: Insurance companies will need to adapt to evolving regulatory landscapes and new emerging risks, making flexibility in risk management strategies essential.

The main difference between Islamic and non-Islamic insurers lies in the emphasis: while non-Islamic companies focus more on technological advancements, regulatory changes, and emerging risks, Islamic insurers tend to place greater importance on ESG factors and sustainability.

Respondent No. (1) of an Islamic insurance company said that he is a risk manager - and described his duties as managing and mitigating risks to ensure the stability and financial sustainability of the company.

Respondent No. (5) of an Islamic insurance company said that as a risk management officer, his role in the company is related to identifying, evaluating and managing risks that may affect the company's performance and continuity. His role also includes developing strategies and plans to deal with risks and ensuring their effective implementation. Works closely with different teams to ensure that risk management practices are implemented and updated according to changes.

Respondent No. (6) Islamic Insurance Company answered that he focuses on identifying, analyzing and mitigating risks that may impact business operations. His role includes assessing risks associated with insurance products and services, and developing strategies to mitigate negative impacts. He also coordinates with other teams to ensure that all departments adhere to risk management policies.

Respondent No. (2) of a non-Islamic insurance company said that he analyzes and identifies all operational, financial and administrative risks facing the company, and works to update the risk register, its severity level, occurrence and impact periodically in coordination with senior management.

Respondent No. (3) of a non-Islamic insurance company said that he works as an operations manager in a Palestinian insurance company, responsible for coordinating daily activities and ensuring the effective implementation of the company's strategies. His role also includes managing different work teams, analyzing performance data, and ensuring the achievement of quality and efficiency objectives.

Respondent No. (4) of a non-Islamic insurance company, as an insurance risk manager in the retirement and insurance sector, his role includes identifying and assessing potential risks, developing strategies to manage those risks, and ensuring their compliance with all regulatory requirements.

Insurers, Islamic and non-Islamic, agree that recognizing, evaluating and managing risks that could threaten the company's stability is part of their job. They also said it's important to work with other teams to develop risk management strategies and ensure risk management processes are followed. The respondents were given different secondary tasks: Islamic companies prioritized risk assessment for insurance products and services, non-Islamic companies prioritized regulatory compliance and risk register updates. Respondent 3's job was very different from a non-Islamic company which prioritized risk management over daily operations and improving operational efficiency.

4.2.1 Summary of General questions

3 Can you describe your role within the company?

The respondents from insurance companies replied that their job description is related to risk management, while in Islamic companies, respondents 1, 5 and 6 mentioned that their job is to identify risks to maintain stability in the company for its perpetuity while developing strategies to nullify such risks: Whereas in non-Islamic companies, the respondents 2, 3, and 4 undertake such roles as analyzing and identifying operational and financial risks, updating records in collaboration with management, ensuring that the company's strategies are implemented, and regulatory requirements are complied with.

4 What is the nature and extent of your experience and expertise in the insurance field?

Respondents' experience varied from Islamic to non-Islamic insurance companies. The respondent from the Islamic companies focused on a balanced approach of risk management and Sharia compliance, while respondents from the non-Islamic companies identified their roles in implementing plans assigned by senior management, doing risk management, marketing and financial analysis, knowing the Palestinian market and its regulation.

First Dimension: Specific questions about risk management

5 What are the main internal risks your company faces?

While Islamic insurers' focus was on compliance, administrative and technology risks; for non-Islamic insurers, reputational risk, change management, and operational risks dominated. Financial in nature, the flagship risks for all companies are asset and liability management and liquidity, though the level of emphasis on human and organizational risks varies.

6 What are the main external risks that your company faces? And what is their source (political, economic, etc.)

Insurance companies face several risks: legal, reputational, financial, operational, and human risks in non-Islamic ones; Islamic ones show technical, organizational, administrative, and human risks. In Palestine, added are the ones on liquidity and assets and liability management.

7 How do you assess and identify risks within your organization?

The means of measuring and identifying risks vary from one company to another, based on the business model. Islamic companies apply risk matrices and probability and impact analysis to categorize risk priority. On the other hand, the approach taken by non-Islamic companies depends on the development of an integrated risk management framework that encompasses the analysis of performance data and risk assessment through SWOT and similar analysis tools. One common point where they all agree is on the need for multiple tools to be applied for analysis in order to achieve comprehensiveness in the measurement process.

8 Do you have a clear action plan for identifying and dealing with risks in the event of their occurrence?

The importance of having a certain plan of action for processing and management is revealed in all companies. Islamic companies emphasize also the implementation of contingency plans and crisis management; for non-Islamic companies, it was incident response plan development and aftermath impact assessment once problems have taken place. All companies work on the development of strategies to handle crises and update plans regarding changes and new circumstances.

9 Can you give me an example of a risk that the company faced last year and explain how the company dealt with it and whether it was able to neutralize or reduce the impact of these risks or not?

Examples of risks include political crises, for example, the war in Gaza, the pandemic Covid-19 virus, and increase in the number of claims resulting from natural disasters. In all instances, all these risks were managed by companies through the activation of emergency plans, increased speed to process the claim, and crisis management strategies. In all cases, the impact was adverse but less so owing to good response and better internal processes.

Second Dimension: Questions about strategic and operational risks

10 What is the role of strategic risk management in your company's overall strategy? What does a strategic risk management plan look like?

Strategic risk management has been one of the key ways through which the overall objectives of the company can be achieved by identifying and assessing potential risks while subsequently developing strategies to mitigate those risks. Islamic companies will, therefore, incorporate risk management into the overall strategy to ensure that the approach taken is appropriate and relevant to achieve the strategic objectives. On the contrary, a non-Islamic company aims at enhancing competitiveness and raising the ability to survive in the context of scenario planning and crisis management.

11 How does your company deal with operational risks, and what measures are taken to mitigate these risks?

It examines operations, evaluates internal risks, and prepares employees. Islamic organizations ensure that string control procedures are in place and technical systems are enhanced, the non-Islamic organization prepares emergency plans and constantly monitors performance. Both organisations aim to maximize operational efficiency level and minimize errors by adapting quality management practices.

12 Are risks managed on a firefighting (problem) basis, or is there a pre-planned mitigation plan?

In general, companies prefer to use proactive mitigation strategies rather than simply extinguishing fires after problems occur. Islamic companies focus on developing strategies to mitigate risks before they occur, while non-Islamic companies are concerned with monitoring and updating risk management plans periodically based on new information and changes in the environment.

Third Dimension: Questions about risk management tools and techniques

13 What risk management tools and models does your company use to analyze and mitigate risks?

There are a lot of tools in practice by different companies for risk analysis and mitigation. Some of them are a risk matrix, SWOT analysis, and value-at-risk analysis. Traditional conventional companies usually follow a sequence of statistical analysis and simulation techniques. Islamic companies would apply other assessment models based on business impact analysis and scenario simulation models that help monitor a risk continuously.

14 How effective are these tools and techniques in managing and reducing risks?

These technologies and methodologies have been proven to increase the accuracy of the risk assessments while providing useful insights into how one can manage them. Equipped with the right tool, companies can accurately analyze risks and develop effective mitigation strategies that enhance the ability of the enterprise to adapt to changes while reducing the negative potentiality of the risk.

15 How does your company use data and technology to enhance risk management processes?

Insurance companies' strategies for using data and technology to enhance risk management range from automation of processes to big data analysis. Islamic companies depend on enhancing the effectiveness of risk management through improvements in the automation of tasks, investing in cloud technology, while for non-Islamic companies, it is through the analysis of customer data, artificial intelligence to analyze big data, and developing risk prediction models. All of them make use of advanced technologies in order to improve estimates and reduce operational risks.

16 How to deal with risks or crises before, during and after they occur?

These include several strategies that companies adapt to cope with risks and crises, which are: planning, prevention, immediate response, and effective handling of the crisis. In pre-crisis, the companies define the factors of risk and also make contingency plans, whereas in the crisis, the company will respond to plans and stakeholder communications. Performance analysis is done after the crisis to arrive at better strategies and plans in the future.

Fourth Dimension: Compliance and Regulation Questions

17 How does your company maintain compliance with regulatory and legal requirements (compliance with the Companies Law, Capital Market Authority Instructions, or Monetary Authority Instructions) related to risk management?

Companies act on different strategies to ensure that they keep in line with regulatory requirements. Islamic companies tend to approach the regulators with, almost perpetual communication, updating of policies from new guidelines received. Non-Islamic companies mainly depend on internal legal teams and external consultants to stay updated about developments and deal with compliance accordingly. All companies carry out periodic audits that are aimed at ensuring complete compliance.

18 What challenges does your company face in complying with regulatory standards, and how are they addressed?

Companies are faced with issues of resistance to change within the company, data accuracy, integrity, and regulations that keep on changing. Effective training and communication to employees take care of these issues along with data governance practices and use of legal counsel in interpreting and updating policies. Several businesses use automation technologies in facilitation of compliance and reduction of human errors.

Fifth Dimension: Questions about financial risk management

19 How does your company manage financial risks, such as market volatility and credit risk?

It manages financial risks through strategies of portfolio diversification, usage of hedging tools, and liquidity management. The companies are making financial crisis response plans and conducting liquidity stress tests to assess their capabilities to withstand adverse economic conditions. Companies also focus on regular financial performance monitoring and assessment of credit risk.

20 What strategies are used to ensure the financial stability of the company?

A number of strategies are in place to ensure financial stability through the preparation of comprehensive budgets, formulation of long-term strategic plans, and enhancement of operational efficiency. This will include liquidity management and developing policies on the allocation of financial reserves, investment in technology that will enhance the management of administrative performance and operations. The strategies also involve regular cash flow monitoring and analyzing financial performance for the purpose of ensuring stability in the long term.

Future vision

1. How do you see the role of risk management evolving in the insurance industry over the next five years?

Five years from now, organizations think risk management will be very different because of the incorporation of new technology like artificial intelligence and advanced data analytics. The management of social and environmental hazards will receive increased attention, and solutions that are sufficiently flexible to adapt to the rapidly shifting market conditions will be developed. It will enable risk management development, boost a business's adaptability to fresh difficulties, and lead to sustainability.

4.2.2 Categories Analysis of General questions

The role of the responder within an insurance company covers risk management issues. In Islamic companies, the identification and mitigation risks are to be done such that the company remains stable and its continuity guaranteed while developing appropriate strategies. In non-Islamic insurance companies, the risks handled involve operation and finance, analysis and identification, updating of records with management involvement and ensuring strategies set by the company are implemented together with regulatory requirements. The experiences differ between purely Islamic and non-Islamic companies, given that the former focus on Sharia compliance, whereas the latter focus on management plans and market analysis.

Specific questions about risk management

Islamic insurance companies think that compliance, governance, and technology risks pose more trouble, but non-Islamic companies are afraid of reputational risk, change management risk, and operational risk. The assessment of the risk is made in a different way by companies: in Islamic insurance through risk matrices and probability and impact analysis, and in non-Islamic companies, it is premised on comprehensive frameworks and SWOT analysis. All companies are of the opinion that one must have a well-defined risk management plan, while at some companies, crisis response strategies have been developed based on experience from previous crises, such as political ones and COVID-19.

Questions about strategic and operational risks

Thus, via threat identification and mitigation, strategic risk management is critical to achieving the organization's main goals. While non-Islamic businesses focus on using crisis management and scenario planning to increase competitiveness, Islamic businesses incorporate risk management into their overall strategy to ensure alignment with their goals. Non-Islamic companies build contingency plans and use continuous observation, while Islamic enterprises use strict controls and technical system advancements to limit operational risk. In general, companies would want to mitigate risks proactively rather than reactively, after problems have already arisen.

Questions about risk management tools and techniques

Other companies study and minimize risks through risk matrices and SWOT analyses, among other tools. Other companies make use of statistical analysis and simulation techniques to handle probable risks; Islamic ones use business impact assessment models. This shows a fair level of effectiveness in these tools in improving the accuracy of risk assessments and offering insights into handling them accordingly. Companies take advantage of the data and technology through process automation, big data analytics, and improving adaptability to change along with reduced operational risks.

Compliance and regulatory questions

These include constant communications with regulators and updates on policies for Islamic companies, and for non-Islamic companies, the strategy would be engagement through their own legal teams or external advisors. Challenges to be faced include resistance to change and accuracy of data. These will be addressed through training and effective communication, the implementation of data governance practices, and legal advisors interpreting policies accordingly.

Questions about financial risk management

Companies manage financial risks through diversified investment portfolios, hedging tools, and liquidity management. Companies develop response plans for financial crises and monitor their financial performance on a regular basis. The companies try to attain financial stability by providing detailed budgets and developing strategic plans with long-term vision and enhancement of the efficiency of operations with especial emphasis on liquidity management and allocation of financial reserves.

Future vision

In the next five years, the role of risk management will be very different, integrated with advanced technologies like artificial intelligence and advanced data analytics. Much of the focus would shift toward the management of environmental and social risks while developing flexible strategies to keep pace with changes in the markets that take place in rapid motion.

Results and Conclusions

Results of this research show how important risk management is to insurance companies, which also pointed out the basic differences in the ways Islamic and non-Islamic companies cope with risks and problems arising from them.

The role of risk management: The roles of risk management in Islamic versus non-Islamic companies remain sharply contrasting. In the Islamic company, the focus would be more on the management of risk as prescribed by Sharia principles whereby strategies will be developed to ensure stability and sustainability of the company. Whereas in non-Islamic companies, the strategies adopted were shifting the attention to provide insight into the operational and financial risks involved, updating the records accurately and the regulatory requirements followed.

Identification and assessment of risks: Each business is different and depends upon their models adopted by the company. Islamic companies classify the risks using the risk matrices, probability, and impact analysis while the non-Islamic companies use the overall framework such as SWOT analysis, risks assessment based on performance data. All organizations make particular importance of having a clear course of action for the threats, developing plans for crisis response based on past incidents.

Strategic and Operational Risks: The strategic risk management within the company will play an important role in achieving its overall goals and objectives. This is because Islamic companies connect strategic risk management to overall strategy for consistency with the strategic objectives. Contrasting, other non-Islamic companies relate the strategic risk management to increasing their competitiveness by scenario planning and crisis management. Moreover, the Islamic company will mitigate the operational risks through stringent control and technical systems enhancement. Contrasting this, a non-Islamic company will do so differently through the development of contingency plans with continuous monitoring.

Tools and Techniques of Risk Management: There are a number of tools and techniques that a firm may resort to while analyzing and mitigating risks. The non-Islamic companies apply statistical analysis and simulation techniques, whereas Islamic companies adopt assessment models like business impact analysis. Their effectiveness has proved to be gradually giving positive change in improving accuracy in the risk assessment and providing insight on how to deal with it. Data and technology allow companies to automate processes where possible and review Big Data so that their business can adapt more rapidly to changed circumstances with less risk of operations.

Compliance and Regulations: Companies work in their various ways to be compliant with the regulatory requirements. For instance, constant communication and policy updates are carried out by Islamic companies in order to stay compliant with regulations. Non-Islamic companies rely on their in-house legal teams or outsource consultants. Other challenges of the companies include resistance to change and accuracy of data, issues that get resolved through effective training and communication besides data governance practices.

Financial Risk Management: Organizations manage financial risk through portfolio diversification, hedging tools, and managing liquidity. An organization makes a response strategy to financial crises and monitors financial performance on a periodic basis. In view of financial stability, the strategies of companies include drawing detailed budgets, preparing long-term strategic plans, and enhancing operational efficiency by giving importance to liquidity management and allocating financial reserves.

Forward-looking: Organizations believe that the role of risk management will change significantly during the coming five years with the embedding of advanced technologies like artificial intelligence and advanced data analytics. There will be more focus on environmental and social risk management, strategies that will offer flexibility to stand up to rapid changes within the markets. In fact, this evolution in risk management procedures will add more value to companies enabling them to adapt to new challenges and achieve sustainability.

Other results: Author Opinion

Internal and External Risks

The fact that Islamic and non-Islamic insurance companies are focusing on different aspects of internal and external risks underlines the operational philosophies and priorities of each. Indeed, Islamic companies' compliance and regulatory risks correspond with their ethical and legal framework, which usually requires adhering to the Sharia-compliant practice. Non-Islamic companies emphasize reputational and data risks in line with the main emphasis on positioning in the market and data-driven operations. Balancing these risk approaches for the companies can bring about a more holistic approach toward risk management.

Political, Economic, and Social Risks

Given the higher prevalence of political and economic instabilities in Palestine, the serious emphasis on external risk factors that exists in both company types is appropriate. However, even within a context of broad-based instability, like Palestine, the use of social risks within assessments remains underutilized. Coupling the social risk analysis with wider strategic planning might prove to be an important component in enabling these companies to remain resilient through disruption. Secondly, these cross-sectoral partnerships might serve as pathways for learning on mitigating these socio-political risks.

Risk Identification and Management Approaches

It seems that the Islamic insurance companies follow a more dual emphasis on the quantitative tools, whereas their non-Islamic counterparts rely more on qualitative frameworks like SWOT. This reflects a difference in depth and approach toward risk evaluation. While both methods stand valid on their own, integrating the two would ensure higher levels of precision and sensitivity. For example, the Islamic companies would benefit from the qualitative insights provided by SWOT, while the non-Islamic companies from the precision that the quantitative analysis offers.

Emergency Preparedness and Response

Emergency preparedness encompasses the proactive steps for both types of companies on issues like crisis management and stakeholder communication, reflecting their understanding of immediate risk responses. What stands out, however, as a best practice by Islamic companies is the emphasis on fast internal coordination and overall crisis communication. Moving to a hybrid model that can balance rapid internal coordination with structured external communication could enhance the efficacy of responses in crisis situations for both company types.

Operational Efficiency and Continuous Monitoring

The commitment of the non-Islamic insurance companies to managing the quality and efficiency, through ongoing process monitoring, is praiseworthy and sets a very high operational standard. Islamic companies place more emphasis on internal assessments that may sometimes fail to focus on general operational efficiency. Combining the approaches-quality management practices with comprehensive process audits-could reduce the vulnerabilities in the operational processes, especially in the high-risk environments.

Risk Mitigation Strategies

The spectrum goes from the structured and preventive approach of Islamic companies to continuous monitoring by non-Islamic companies, which works effectively for risk management. Combining the proactive mitigation techniques with the element of continuous evaluation will enable both types of companies to create robust, resilient strategies to sail through risks. Non-Islamic companies, in particular, could benefit by adopting more proactive mitigation strategies in areas of high-priority risk.

Technological Integration in Risk Management

While both types of companies believe in the power of contemporary data and technology-driven tools, the more substantial investments in automation and big data analysis by Islamic insurance companies give a hint about being future-oriented. In the digitized world, both could further benefit from developing advanced AI tools for predictive risk analysis, thus providing early warning signals and enhancing proactive decision-making.

Financial Risk Management and Stability

Islamic and non-Islamic companies have vast differences in their approaches toward financial management, from Islamic company focuses on diversification and liquidity management to strategic planning and control reserved for the non-Islamic companies. These methods can be integrated to develop a balanced financial perspective that could result in a maximum liquidity-strategic growth fusion. The Islamic companies might also place greater emphasis upon long-term planning, while their non-Islamic counterparts may want to increase their liquidity using Sharia-compliant investments.

Compliance and Legal Challenges

While Islamic insurance companies show their firm commitment to regulatory alignment with stringent compliance measures, the non-Islamic ones focus on internal coordination with increased legal consultation, enhancing agility in the response to changes in law. This adaptive compliance strategy of taking frequent legal consultations and giving comprehensive internal training could be a boost in resiliency against fluctuating regulatory requirements for both company types.

4.3 Internal & External Risks

Internal Risks:

- **Islamic Insurance Companies:**

These companies face challenges related to Sharia compliance, ensuring that their operations align with Islamic laws. Governance issues, such as maintaining transparent management structures and technology-related risks, including outdated systems or cybersecurity threats.

- **Non-Islamic Insurance Companies:**

For these companies, internal risks are primarily reputational risks, where mishandling customer claims or negative public perception can harm their standing. They also report operational risks, such as process inefficiencies or workforce issues, and change management challenges due to evolving industry demands.

- **Common Financial Risks:**

All companies face liquidity risks (difficulty in meeting short-term financial obligations) and challenges with asset-liability management, ensuring that their assets match the duration and value of their liabilities.

External Risks

As for taking on external risks, both Islamic and non-Islamic companies agreed on the same risks:

- **Political Instability:**

Political challenges such as ongoing conflict, wars, or restrictions imposed by occupation authorities create uncertainty and disrupt operations.

- **Economic Risks:**

These include inflation, currency fluctuations, and limited access to global markets, all of which affect the financial health of insurance providers.

- **Legal and Regulatory Risks:**

Companies navigate complex legal frameworks and frequent changes in regulations, which create compliance burdens.

- **Sector-Specific Risks:**

Islamic insurers face technical and organizational challenges, such as adhering to unique Sharia-compliant methodologies, while non-Islamic insurers are more affected by market volatility and reputational threats, particularly during crises.

4.4 Risk Assessment and Identification

- Islamic Insurance Companies:

They use risk matrices, which map risks based on their probability and impact, and probability-impact analysis, to prioritize risks. This approach ensures that Sharia compliance and other critical risks are addressed first.

- Non-Islamic Insurance Companies:

These companies apply SWOT analysis to evaluate internal strengths and weaknesses against external opportunities and threats. They also rely on performance data reviews to identify trends and anomalies that might indicate potential risks.

- Unified Approach:

Both Islamic and non-Islamic companies emphasize the importance of a multidimensional framework that integrates historical data, market analysis, and stakeholder feedback for comprehensive risk identification.

Risk Mitigation:

- Islamic Insurance Companies:

They prioritize proactive measures, including contingency planning to prepare for unexpected events and compliance monitoring to ensure adherence to Sharia principles and legal frameworks.

- Non-Islamic Insurance Companies:

These companies focus on crisis response strategies, such as predefined action plans for emergencies, and management plan updates, revising their risk policies regularly based on evolving threats.

- Lessons from Past Crises:

Both types of insurers have learned from challenges like COVID-19 and political crises, incorporating these experiences into their risk management practices to improve resilience and adaptability.

4.5 Tools and Techniques

- Risk Matrices:

Used by both Islamic and non-Islamic companies to assess and rank risks based on likelihood and impact.

- SWOT Analysis:

Particularly favored by non-Islamic companies to align risk strategies with their overall organizational strengths and goals.

- Simulation Models:

Islamic companies conduct scenario simulations that are tailored to Sharia-compliant operations, allowing them to predict the outcomes of various strategies while adhering to Islamic principles. Non-Islamic companies employ advanced statistical simulations, leveraging big data for more accurate predictions.

- Business Impact Analysis (BIA):

This is more commonly used by Islamic insurers to evaluate the potential consequences of disruptions on critical business functions.

Effectiveness of Tools:

- Improved Risk Assessments:

These tools enable companies to better understand and measure their exposure to various risks, ensuring that high-priority risks are addressed promptly.

- Enhanced Strategic Decision-Making:

By integrating data-driven insights, insurers can align their risk strategies with broader business goals, reducing financial losses and reputational damage.

- Increased Organizational Adaptability:

The tools provide companies with the flexibility to adapt to unexpected crises, such as economic downturns or political instability, ensuring business continuity.

4.6 Islamic and non-Islamic insurance

Islamic Insurance Companies:

- Alignment with Sharia Principles:

Risk management in Islamic insurance is deeply rooted in adhering to Sharia compliance, ensuring that operations align with ethical and religious principles. This approach focuses on avoiding excessive uncertainty (*gharar*) and speculative practices (*maysir*).

- Focus on Stability and Long-Term Goals:

Islamic insurers emphasize stability by adopting risk strategies that prioritize long-term sustainability over short-term profits. This includes maintaining robust governance structures and developing resilience to external shocks.

- Proactive Mitigation Strategies:

Islamic insurers rely heavily on proactive risk identification and mitigation. This involves frequent audits, compliance monitoring, and contingency planning to address potential risks before they escalate.

- Investment in Technical Systems:

There is a strong emphasis on upgrading technical systems and processes to enhance efficiency and compliance with Sharia requirements.

Non-Islamic Insurance Companies:

- Competitiveness and Market Resilience:

Non-Islamic insurers aim to remain competitive in the market by adopting flexible and innovative approaches to risk management.

- Dynamic and Adaptive Strategies:

These companies focus on periodic updates to their risk management strategies, ensuring alignment with changing market conditions. This includes leveraging real-time market data to refine their approaches.

- Advanced Tools and Analytics:

Non-Islamic insurers extensively use advanced data analytics, scenario planning, and simulation models to predict and respond to risks more dynamically.

- Emphasis on Financial Market Analysis:

Their strategies often incorporate financial market trends, relying on statistical methods to assess and mitigate financial risks, including market volatility and currency fluctuations.

Key Differences:

- Islamic insurers prioritize proactive stability, while non-Islamic insurers focus on reactive adaptability.
- The former emphasizes governance and compliance, whereas the latter leans towards market-driven analysis.

4.7 Strategic Risk Management Role

Definition and Importance:

Strategic risk management (SRM) involves aligning risk practices with organizational goals to ensure long-term stability and sustainability. For insurance companies, it is a critical process that balances risk-taking with risk mitigation, enabling growth while protecting against financial losses.

Islamic Insurance Companies:

- Integration with Mission:

For Islamic insurers, SRM is tied to the mission of ensuring ethical operations. It integrates risk management with Sharia compliance, ensuring risks are addressed without compromising core values.

- Focus on Stability:

SRM is used to maintain financial and operational stability, ensuring the company's resilience in times of crisis. This is achieved through long-term planning, compliance controls, and carefully selected investments that align with Sharia principles.

Non-Islamic Insurance Companies:

- Enhancing Competitiveness:

For non-Islamic insurers, SRM plays a central role in maintaining competitiveness in a volatile market. It focuses on operational resilience, allowing companies to adapt quickly to market fluctuations and external disruptions.

- Tools and Techniques:

Non-Islamic insurers utilize scenario planning, crisis management, and data-driven insights to anticipate potential risks and adjust strategies accordingly. These techniques ensure that resources are allocated efficiently to mitigate high-impact risks.

Shared Objectives

Both types of companies use SRM to achieve:

- Financial Stability: Ensuring consistent cash flow and profitability despite external challenges.

- **Operational Efficiency:** Streamlining processes to reduce costs and enhance performance.
- **Adaptability:** Building resilience to navigate rapidly changing conditions, such as political instability or economic crises.

4.8 Conclusions

Risk management is a cornerstone of the Palestinian insurance sector, enabling companies to navigate complex internal and external challenges. While Islamic and non-Islamic insurers adopt distinct approaches—guided by their respective principles and market objectives—both prioritize strategic risk management to ensure sustainability and resilience.

The integration of emerging technologies like artificial intelligence and big data analytics promises to revolutionize risk management practices in the sector. These tools are expected to enhance predictive accuracy, improve decision-making, and enable real-time responses to risks, helping Palestinian insurance companies thrive in an increasingly volatile environment.

Chapter Five

Chapter Five: Discussion and Conclusions

The results from the interviews with risk managers in both Islamic and non-Islamic insurance companies reveal several key insights regarding the role of risk management within the Palestinian insurance sector, which can be compared and contrasted with the findings in previous studies.

5.1 Risk Management Roles and Practices

Across all respondents, there was a shared focus on recognizing, assessing, and managing risks that could threaten the financial stability of the company. This is consistent with the findings from Badara and Saidin (2012), who highlighted the importance of risk management in ensuring the efficacy of internal audits and organizational stability. The respondents emphasized that their roles involved both the evaluation and mitigation of operational, financial, and regulatory risks. However, differences emerged between Islamic and non-Islamic insurance companies. Islamic insurance companies particularly prioritized risk assessment in relation to their Sharia-compliant products, while non-Islamic companies placed a stronger emphasis on regulatory compliance and the periodic updating of their risk registers, as noted in the study by Bajenescu (2015), which pointed to the need for consistent evaluation and updating of risk management practices to adapt to changing circumstances.

The findings of Shaheen, Aga, and others (2020) further align with the respondents' emphasis on risk management as an essential component of profitability. The implementation of comprehensive Enterprise Risk Management (ERM) frameworks in both types of companies appears to play a significant role in ensuring stability. However, Islamic companies added the extra layer of Sharia compliance, which affects their risk management strategies and product offerings, aligning with the study's observation that sustainability and profitability are tightly linked to efficient risk management practices.

5.2 Experience and Expertise in the Insurance Sector

The respondents' extensive experience in the insurance industry, with specific roles in risk management, operational efficiency, and compliance, reflects a nuanced understanding of the local Palestinian insurance market. Respondent No. (1) from an Islamic insurance company, for instance, emphasized his ability to balance risk management with compliance to Sharia principles, which enhances company stability and sustainability—an approach distinct to Islamic insurers. This emphasis on Sharia compliance aligns with the growing body of literature on the unique challenges and strategies of Islamic insurance, such as the one discussed in Zwawe et al. (2021), which explored the challenges faced by Takaful (Islamic insurance) companies in managing specific risks.

On the other hand, respondents from non-Islamic companies highlighted their roles in managing broader operational, financial, and compliance risks, suggesting that while their expertise is also comprehensive, they focus more on industry regulations than on religious principles. This finding supports the arguments presented in the study by Abdeljawad et al. (2020), which found that the profitability of Palestinian insurance companies is significantly influenced by factors such as market size, expansion, and liquidity, alongside the effective management of operational risks.

5.3 Risk Management Approaches in Practice

Both Islamic and non-Islamic insurers shared a common goal of mitigating risks to ensure business continuity, but their approaches varied depending on their market segmentation and regulatory environment. Non-Islamic insurers prioritized compliance with local and international regulations and worked closely with senior management to ensure that the risk management process was updated regularly, as reported by Respondent No. (2). This is in line with Bajenescu (2015), who noted that risk management frameworks, such as those outlined by ISO 31000, are valuable tools for assessing and prioritizing risks across different insurance domains.

In contrast, Islamic insurers emphasized risk management strategies that aligned with Islamic values, focusing on the ethical dimensions of insurance products. This is consistent with the findings of Zwawe et al. (2021), who noted that Takaful insurers are exposed to unique risks that stem from their Sharia-compliant structure, such as liquidity risks and credit risks. Therefore, their risk management practices go beyond traditional financial concerns to include adherence to religious principles, which in turn affects their business strategies and decision-making.

5.4 Risk Identification and Assessment

Both Islamic and non-Islamic insurance companies use similar methodologies to identify and assess risks. The common tools include risk matrices, quantitative and qualitative analysis, and historical data review, with the aim of evaluating the probability and impact of potential risks. For example, Respondents from Islamic insurance companies emphasized the classification of risks into categories such as high, medium, and low based on likelihood and impact. This aligns with the approach described in Bajenescu's (2015) study, which highlighted the importance of defining and prioritizing risks, particularly through methods like risk mapping. On the other hand, non-Islamic companies also apply comprehensive frameworks, focusing on creating risk management policies, reviewing financial performance reports, and analyzing local and international regulations. These strategies are consistent with the practices mentioned by Shaheen, Aga, & others (2020), who emphasized the role of management efficiency in risk assessment for Palestinian insurance companies.

Furthermore, some respondents, particularly in non-Islamic companies, employ SWOT analysis to assess risks, a method that has been widely acknowledged in risk management literature as a strategic tool for understanding an organization's internal and external risks. This approach complements findings from Ismail's (2018) study, where external factors like macroeconomic conditions were shown to influence insurance firm performance.

5.5 Action Plans for Risk Management

In terms of responding to risks when they occur, all respondents confirmed the existence of detailed action plans to manage crises effectively. Islamic insurance companies prioritize emergency response plans, which include communication strategies, crisis management, and coordination with local authorities. These approaches reflect the findings from Badara and Saidin (2012), where risk management was linked to the effectiveness of internal audits and crisis management in government organizations. The proactive stance taken by Islamic companies in managing risks through immediate actions and providing appropriate support during crises parallels the comprehensive risk management practices discussed by Zwawe et al. (2021) in the context of Takaful insurance, where the risk management process was integral to minimizing negative impacts.

Non-Islamic insurance companies also emphasize having a comprehensive action plan that includes detailed steps for mitigation, impact assessment, and communication. This approach resonates with Shaheen et al.'s (2020) findings, where the relationship between enterprise risk management (ERM) and profitability was evident, suggesting that robust risk management practices directly contribute to business stability and profitability.

Interestingly, several respondents from non-Islamic insurance companies provided more structured action plans, listing specific sequential steps for dealing with risks—such as immediate response, crisis management, and post-crisis evaluation. This detailed methodology mirrors the recommendations from Abdeljawad et al. (2020), which emphasized that having a clear and organized action plan significantly impacts an organization's ability to mitigate risks and maintain profitability.

5.6 Strategic Risk Management

The role of strategic risk management (SRM) in the companies interviewed is crucial for achieving their long-term objectives while managing potential threats to their operations and growth. In the context of both Islamic and non-Islamic insurance companies, strategic risk management was seen as a foundational element that supports business adaptability, competitiveness, and resilience in the face of external and internal challenges.

Key Findings:

1. **Adaptability and Competitiveness:** Respondents from both Islamic and non-Islamic insurance companies emphasized that SRM plays a vital role in enhancing a company's ability to adapt to changes in the market and ensure competitiveness. Respondents from Islamic companies, however, highlighted the importance of linking risk management to long-term strategic goals and trends analysis, which ensures that the company's operations align with its broader objectives. Conversely, respondents from non-Islamic companies focused more on decision-making, scenario planning, and improving resilience through proactive risk identification and mitigation measures. This focus was consistent with the recommendations from Shaheen, Aga, and others (2020), who found that effective risk management in the insurance sector correlates with higher profitability and operational success, particularly in the context of sustainable risk management practices.
2. **Scenario Planning and Business Continuity:** Non-Islamic insurance companies placed a strong emphasis on the use of scenario planning, where risk management informs strategic decisions by forecasting various potential risks and evaluating their impacts on different scenarios. This approach ensures that companies are prepared to respond to crises and disruptions effectively, a theme also discussed in Bajenescu (2015), who stressed the need for clear articulation of plans and the adaptation of tactics during times of uncertainty.
3. **Risk Mitigation Strategies:** The interviewees across both types of companies highlighted the need to identify opportunities for expansion and to define risks related to strategic objectives like market share growth, customer satisfaction, and sustainable growth. This approach supports the view of Badara and Saidin (2012), who noted that comprehensive internal audits and risk assessments contribute to enhancing organizational effectiveness.

5.7 Operational Risk Management

When it comes to operational risk management, respondents outlined a variety of measures taken by their companies to identify, assess, and mitigate risks that could disrupt day-to-day operations.

Key Findings:

1. **Operational Process Review:** Respondents from both Islamic and non-Islamic insurance companies spoke about conducting thorough reviews of operational processes. This includes evaluating claims management systems, workflow efficiency, and identifying internal and external vulnerabilities. This aligns with the findings from Zwawe et al. (2021), which suggested that risk management in insurance companies, particularly those involved in Takaful, includes detailed evaluations of operational risks like liquidity concerns, insurance, and reinsurance risks.
2. **Risk Matrices and Prioritization:** Companies commonly use risk matrices to assess the likelihood and impact of different risks. Respondents from both firm types agreed that operational risks are classified based on their potential to disrupt operations, with a focus on areas such as claims processing and human factor risks. This approach mirrors the recommendations from Ismail (2018), who found that assessing operational risks using a structured approach can improve insurance firm profitability by reducing operational inefficiencies.
3. **Incident Response Plans and Post-Incident Analysis:** Non-Islamic companies specifically mentioned having structured incident response plans that help manage disruptions and emergencies. These plans include post-incident analysis to learn from operational failures and implement corrective actions. This practice supports the findings of Siddik et al. (2022), which emphasized the importance of financial and operational stability in insurance companies and the role of risk management in supporting business continuity.

5.8 Risk Management Tools and Models

The responses from insurance companies in Palestine highlighted the use of a diverse range of risk management tools and models, which are employed to analyze and mitigate risks. Islamic insurance companies generally favored more structured methodologies such as Risk Matrix, Value at Risk (VaR) analysis, and Monte Carlo Simulations, which allow for the analysis of risks under varying market conditions. These models focus on assessing risks based on their likelihood and potential impact, thereby allowing companies to prioritize their risk mitigation efforts toward the most significant risks. For example, Respondent No. (1) an Islamic insurance company stated the use of the Risk Matrix, which helps classify risks by their likelihood and impact, a model commonly used for risk assessment (Badara & Saidin, 2012).

In contrast, non-Islamic insurance companies showed a more varied approach in utilizing risk management tools. Respondent No. (2) cited the use of SWOT analysis, a qualitative risk assessment tool, to identify internal and external factors affecting an organization's goals and strategies. This approach aligns with Bajenescu's (2015) recommendation of using simple methods like SWOT analysis for risk management during uncertain times, which provides a clear and understandable representation of the risks involved. Moreover, quantitative risk analysis and statistical models were also employed to assess and mitigate risks, similar to the recommendations in Ndoro et al.'s (2015) study on the need for formal strategic planning and risk management in small businesses.

The variety of tools utilized in these companies indicates a distinction in approach between Islamic and non-Islamic insurance companies. Islamic companies seem to incorporate more complex and structured models for continuous risk tracking and analysis, as seen in their use of integrated risk management programs and business impact analysis. Non-Islamic companies, on the other hand, seem to rely more on traditional risk assessment tools like SWOT analysis and statistical models, which are simpler but still effective for managing operational risks.

5.9 Effectiveness of Risk Management Tools and Techniques

Regarding the effectiveness of these tools, the majority of respondents agreed that the tools they use significantly enhance their companies' ability to manage risks. For instance, Islamic insurance companies highlighted the effectiveness of tools like Value at Risk (VaR) analysis and Monte Carlo simulations in accurately predicting potential losses and allowing the companies to develop proactive strategies to reduce risks. Respondent No. (5) from an Islamic insurance company emphasized that these tools are essential in identifying risks early and taking proactive measures to mitigate their impact, a sentiment that resonates with findings from Ismail (2018), who noted that accurate risk prediction is key to improving company performance.

On the other hand, non-Islamic insurance companies appreciated the use of SWOT analysis and quantitative risk models, highlighting how these tools improve the accuracy of risk predictions and provide valuable insights for developing mitigation strategies. Respondent No. (3) explained that these tools help the company respond to sudden changes and reduce the potential impact of risks. This aligns with the findings of Shaheen, Aga, & others (2020), who noted that risk management models significantly contribute to a company's profitability by improving its ability to respond to external risks, such as political instability.

The use of predictive data analytics was also mentioned by Respondent No. (4), who explained that analyzing customer data through key learning algorithms enhances the ability

to foresee potential risks, allowing insurance companies to develop more tailored risk management strategies. This supports the recommendation by Siddik et al. (2022), who emphasized the importance of leveraging data analytics to predict and mitigate risks, which can be particularly beneficial in an industry as dynamic as insurance.

5.10 Maintaining Compliance with Regulatory and Legal Requirements

Respondents across both Islamic and non-Islamic insurance companies emphasized the importance of adhering to legal and regulatory frameworks related to risk management. Common practices included maintaining open communication with regulatory authorities, having dedicated internal legal and compliance teams, and staying updated with changes in regulations. Specifically:

- **Islamic Insurance Companies:** Respondents from these companies highlighted their efforts in maintaining compliance by establishing communication channels with regulatory authorities, submitting clarification requests, and implementing training programs for staff. Additionally, internal reviews and audits were conducted to ensure compliance with the latest legal and regulatory requirements.
- **Non-Islamic Insurance Companies:** These respondents focused on developing robust internal compliance frameworks that integrate policies and procedures ensuring adherence to regulations. They also mentioned the importance of utilizing external legal advisors to navigate complex regulatory landscapes and regularly monitoring updates to remain compliant.

This consensus aligns with the findings of previous studies that stress the importance of comprehensive risk management frameworks. For example, the study by Badara and Saidin (2012) emphasizes the importance of clear communication between internal audit functions and regulatory authorities, which is a significant theme echoed by the respondents. Similarly, Bajenescu (2015) emphasizes the need for systematic approaches (such as ISO 31000) to manage risks, including compliance with regulations. In this context, ensuring regulatory compliance appears to be a central aspect of both internal risk management systems and the broader governance framework within insurance companies.

5.11 Challenges in Complying with Regulatory Standards

Challenges faced by insurance companies in complying with regulatory standards were diverse, reflecting the complexities of the operating environment in Palestine. Key challenges identified by respondents included:

- **Employee Resistance to Change:** Some Islamic insurance companies highlighted resistance from employees when implementing new policies or changes to existing

ones. This challenge was addressed through training programs and effective communication to foster understanding and buy-in from employees.

- **Data Management and Reporting:** Non-Islamic insurance companies identified challenges related to ensuring data accuracy and integrity for regulatory reporting. This was addressed by implementing strong data governance practices, ensuring data quality, consistency, and accuracy.
- **Frequent Regulatory Changes:** Both Islamic and non-Islamic respondents noted challenges arising from the frequent changes in regulations, particularly in response to the political climate in Palestine. To address these issues, companies relied on legal advisors, staff training, and the automation of compliance processes.

The challenges identified align with findings from the Ndoro et al. (2015) study, which discusses the operational risks faced by small businesses, particularly in terms of informal risk management practices. In contrast, larger insurance companies in this study are responding by formalizing risk management efforts through training, legal advisors, and automated tools to enhance compliance.

Furthermore, the challenges mentioned here mirror the broader issues of risk management highlighted by Shaheen, Aga, and others (2020). They note that the operational and regulatory environments heavily impact business profitability and operational efficiency. As with the study's findings, Palestinian insurance companies are adapting to external risks (such as political instability) by strengthening their internal risk management systems to mitigate the effects of regulatory uncertainty.

5.12 Crisis Management and Response to Regulatory Risks

Respondents acknowledged the importance of crisis management and developing preventive strategies to address unforeseen risks or crises. They emphasized the need for readiness drills, clear communication protocols with external stakeholders, and internal coordination during crises. This reflects the necessity of having a proactive risk management approach to deal with regulatory changes and other unexpected events.

- **Islamic Insurance Companies:** These companies focused on internal coordination and quick reporting mechanisms to reduce disruption during crises. Respondents noted that these internal mechanisms are crucial for managing unforeseen risks and minimizing operational impact.
- **Non-Islamic Insurance Companies:** These companies placed more emphasis on communication protocols with external parties and stakeholders, ensuring that their crisis management strategies align with regulatory requirements and that information flows efficiently during times of crisis.

5.13 Financial Stability Strategies

The interview responses highlighted common themes and differences in financial stability strategies between Islamic and non-Islamic insurance companies.

1. Commonalities:

- Both Islamic and non-Islamic companies emphasized liquidity management and operational efficiency as critical components of financial stability.
- Regular monitoring of financial performance and cash flow analysis emerged as shared practices to ensure resource availability and short-term financial stability.

2. Differences:

- Islamic insurance companies prioritized financial reserves allocation, cash flow monitoring, and diversifying revenue streams.
- Non-Islamic companies emphasized long-term strategic planning and board oversight, focusing on aligning financial goals with market opportunities and ensuring robust governance.

The findings align with the study by Badara and Saidin (2012), which emphasized the link between risk management and the effectiveness of internal auditing, suggesting that strong governance enhances financial stability. Similarly, the focus on liquidity management resonates with Abdeljawad et al. (2020), who highlighted the importance of maintaining liquidity for profitability.

5.14 Evolving Role of Risk Management

Participants from both Islamic and non-Islamic companies foresee significant evolution in risk management over the next five years, influenced by technological advances, environmental concerns, and regulatory changes.

1. Environmental and Social Governance (ESG):

- Islamic companies highlighted integrating climate change risks and environmental impacts into risk management frameworks.
- Non-Islamic companies also acknowledged the growing importance of environmental and social risks.

2. Technological Integration:

- Both types of companies anticipate greater reliance on big data, advanced analytics, and artificial intelligence to enhance risk forecasting and management.

3. Market Adaptability:

- Non-Islamic companies emphasized the need for flexible strategies to adapt to rapid changes in market conditions, reflecting the dynamic nature of the insurance industry.

The growing emphasis on ESG aligns with Shaheen et al. (2020), who noted the role of sustainability risk management in enhancing profitability. Additionally, the integration of advanced technologies mirrors Bajenescu (2015), who advocated for the use of ISO 31000 frameworks and innovative methods to prioritize risks effectively.

5.15 Conclusions

This study provides a comprehensive analysis of risk management practices in Palestinian insurance companies, with a particular focus on the differences between Islamic and non-Islamic companies. The findings reveal several key aspects of how risk management is structured and implemented in the sector. Both Islamic and non-Islamic companies prioritize risk identification, assessment, and mitigation, but their approaches diverge based on their underlying principles and regulatory environments. Islamic insurers emphasize Sharia compliance and ethical considerations, while non-Islamic insurers focus more on regulatory adherence and operational efficiency.

The analysis concompanies that risk management plays a crucial role in ensuring the stability and sustainability of these organizations, with tools like risk matrices, SWOT analysis, and scenario planning being commonly used. Additionally, both types of insurers have developed detailed action plans for crisis management, though Islamic insurers prioritize immediate responses aligned with their ethical standards, while non-Islamic companies focus on regulatory compliance and market resilience.

Overall, the study highlights the evolving nature of risk management in the Palestinian insurance market, demonstrating that a robust risk management framework is essential for navigating the challenges posed by the local political and economic climate.

5.16 Recommendations

The following recommendations aim to enhance risk management practices within the Palestinian insurance sector:

Enhanced Collaboration between Islamic and Non-Islamic Insurers:

There are key benefits to fostering collaboration between Islamic and non-Islamic insurance companies. By sharing best practices, both can strengthen their approaches to risk management. Non-Islamic insurers can gain valuable insights into the ethical and Sharia-compliant considerations practiced by their Islamic counterparts, while Islamic insurers can adopt more efficient regulatory frameworks and operational processes from the non-Islamic sector.

Continuous Training and Development:

To keep up with the rapidly evolving landscape of risk management, insurance companies must prioritize ongoing training for their staff. This ensures that employees remain well-versed in the latest tools, techniques, and regulatory changes. Regular professional development will not only enhance risk management practices but also secure the long-term viability of the company.

Integration of Technology in Risk Management:

Advanced technological tools such as Monte Carlo simulations, Value at Risk (VaR) analysis, and AI-driven risk assessments should be further integrated into risk management practices. These tools can significantly improve the accuracy and efficiency of identifying and mitigating risks, making the processes more reliable and responsive to changing environments.

Strengthening Crisis Management Plans:

It is essential for both Islamic and non-Islamic insurers to regularly test and update their crisis management plans. This includes coordinating with external stakeholders, especially during times of political instability. By doing so, companies can minimize the impact of unforeseen events and ensure their operations remain resilient in times of crisis.

Adaptation to Regulatory Changes:

Given the frequent regulatory changes in Palestine, insurance companies should build flexible compliance frameworks. This will enable them to quickly adjust to new regulations without causing disruptions to their operations. Close collaboration with legal experts and continuous staff training on regulatory updates are critical for maintaining compliance and avoiding operational setbacks.

5.17 Further Studies

The following suggestions for further studies aim to deepen the understanding of risk management practices in the Palestinian insurance sector:

Impact of Political Instability on Risk Management:

Future research should explore the impact of Palestine's political instability on risk management in insurance companies. Specifically, studies could focus on how ongoing political changes affect regulatory frameworks and the unique challenges insurance companies face in conflict zones.

Comparison of Risk Management Practices Across Different Sectors:

A broader study comparing risk management practices in the insurance sector with those in other industries in Palestine would be valuable. This research could offer insights into how risk management strategies differ across sectors and identify potential areas for improvement and cross-sector collaboration.

Technological Innovations in Risk Management:

Further investigation is needed to understand how emerging technologies like blockchain and artificial intelligence can enhance risk management in the Palestinian insurance industry. This research could highlight how these innovations can streamline processes, improve data security, and optimize decision-making.

Longitudinal Study on the Effectiveness of Risk Management:

A longitudinal study could provide valuable insights into how risk management practices evolve within the Palestinian insurance sector. This study could assess the long-term impact of various strategies on the financial stability and sustainability of insurance companies in a volatile economic and political environment.

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الملخص

مناهج إدارة المخاطر في شركات التأمين الفلسطينية: دراسة مقارنة بين التأمين الإسلامي والتأمين التقليدي

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تستكشف هذه الدراسة ممارسات إدارة المخاطر في شركات التأمين الفلسطينية، من خلال مقارنة بين الشركات الإسلامية وغير الإسلامية. وباستخدام المقابلات شبه المنظمة مع ستة متخصصين، كشف التحليل الموضوعي أن كلا النوعين من الشركات يواجهان مخاطر تشغيلية ومالية متشابهة، لكنهما يتبعان أساليب إدارة مختلفة. تركز شركات التأمين الإسلامية على الامتثال لأحكام الشريعة، والتخفيف المتوازن للمخاطر، والدمج الاستراتيجي، في حين تعطي الشركات غير الإسلامية الأولوية للميزة التنافسية وإدارة الأزمات وأطر المخاطر الديناميكية. تتبع المخاطر الداخلية في الشركات الإسلامية من التحديات الإدارية والتكنولوجية، بينما تواجه الشركات غير الإسلامية مخاطر تتعلق بالسمعة والعمليات. أما التهديدات الخارجية، مثل عدم الاستقرار السياسي والتقلبات الاقتصادية، فتؤثر على كلا القطاعين، إلا أن الشركات الإسلامية أكثر حساسية تجاه التغيرات التنظيمية. تختلف أدوات تقييم المخاطر بين القطاعين، حيث تعتمد الشركات الإسلامية على تحليل احتمالية التأثير ومحاكاة السيناريوهات، بينما تفضل الشركات غير الإسلامية تحليل SWOT والنمذجة الإحصائية. كما يفضل كلا القطاعين استراتيجيات التخفيف الاستباقي، مستفيدين من التقنيات المتقدمة مثل تحليلات البيانات الضخمة والأتمتة. وتوصي الدراسة بتعزيز إدارة المخاطر الاستراتيجية، والامتثال التنظيمي، والاستثمار في التكنولوجيا لتحسين قدرة القطاع على الصمود.

الكلمات المفتاحية: إدارة المخاطر الاستراتيجية، شركات التأمين، الشركات الإسلامية، الشركات غير الإسلامية، تخفيف المخاطر، فلسطين.