

Midocean University
Management College
Master in Risk Management

Religious Perceptions and Consumer Acceptance of Motor Insurance in Saudi Arabia:
Implications for Financial Protection and Saudi Vision 2030

Prepared by Mansour Ali Aljishi

ID# 261003272

Professor Dr. Fayez Jard

2026

Abstract

Motor insurance has become one of the most widespread types of financial insurance due to the development of insurance in Saudi Arabia. Even though it is a mandatory motor insurance, an extensive level of participation does not always mean that people accept it. There are those consumers who might have to buy their coverage to meet the legal requirements and there are those that might see the importance of its use to mitigate the financial impact of road accidents. Consumer attitudes and buying behaviour may be affected by religious perceptions, knowledge of cooperative insurance, confidence in insurance firms, experience of claims and perceived financial security. The paper will consider the determinants of consumer acceptance of motor insurance in Saudi Arabia, the perceived compliance with Sharia, insurance awareness, trust, experience of claims, financial protection, and the difference between voluntary acceptance and legal compliance.

The research design is a quantitative, cross-sectional, explanatory research design. A structured questionnaire will be used to gather data by offering it to Saudi residents who own or are frequent drivers of insured vehicles. The questionnaire will be administered to gauge the demographic attributes of the respondents, insurance knowledge, religious attitudes, trust towards insurance providers, claims experience, perceptions of financial benefit, attitudes, and purchase intentions, renewal intentions or recommendations of motor-insurance coverage. An appropriate sampling technique will be employed to get a sufficient number of responses among various consumer groups and geographical areas of Saudi Arabia.

The statistical programme that will be used to analyse the data collected will be an approved statistical programme like SPSS, AMOS or SmartPLS. The descriptive statistics, reliability and validity tests, correlation tests, regression tests, structural equation modelling, and mediation tests will be utilized where needed. It is hoped that the research will help to explain how religious, informational, institutional and financial variables affect motor-insurance acceptance. It will also help to comprehend how the increased acceptance can help protect consumers, enhance the financial well-being of households, and the development of the insurance sector, as well as the overall goals of Saudi Vision 2030.

Keywords: cooperative insurance, motor insurance, Sharia compliance, consumer acceptance, insurance awareness, trust, financial protection, Saudi Vision 2030.

Chapter One: General Framework of the Study

The insurance industry in Saudi Arabia has evolved during the past decades, becoming a significant component of the national financial system in comparison with a fairly modest one (Almulhim et al., 2024). The growth of cooperative insurance, the increase in regulation, the technological advancement, and the establishment of the mandatory motor-insurance requirements have supported this development (Saudi Central Bank, 2021). Motor insurance is now one of the most prevalent types of Saudi-insurance company interaction. However, mass enrolment is not always a sign of effective acceptance because some consumers might buy coverage because of legal requirements (Arab News, 2021). Religious perceptions, awareness of insurance, provider trust, experience of claims, and perceived amount of financial protection can also affect their attitudes (Osman et al., 2021). It is against this backdrop that the current study looks at the key issues that define consumer acceptance of motor insurance in Saudi Arabia and how they relate to financial resilience, consumer protection, development of the insurance sector, and Saudi Vision 2030 (Vision 2030, 2016).

1.1 Introduction

Insurance is a significant tool to deal with financial risk since it enables individuals and organizations to diminish the economic impact of uncertain events (Almulhim et al., 2024). By paying a premium, an individual is able to shift the financial risk linked to accidents, illness, property damage, liability or any other form of loss to an insurance company. The insurer then spreads the risk among a big population of policyholders. This system insures people against having to pay the entire amount in case something goes wrong and it may save people against unforeseen financial problems. Insurance also helps in stabilizing the economy by insuring individual savings, business continuity, business investments and builds confidence in financial planning (Arkell, 2011). Thus, insurance constitutes not only a commercial banking service but a vital factor of a properly functioning and well-established economy.

In Saudi Arabia, the insurance sector has undergone significant growth in the past decades (Middle East Insurance Review, 2025). The insurance activities were small in its initial years and not well regulated. With the growth and complexity of the Saudi economy, there was an increased demand to have formal insurance. The government established a regulation to organize the industry, oversee insurance companies, safeguard consumers, and make sure that the insurance activities were carried out under the cooperative insurance model (Saudi Cabinet, 2021). The industry was then extended to health, motor, property, marine, liability, protection, savings among others (Saudi Central Bank, 2021). The insurance market has also been enhanced in recent years through institutional and technological changes that have enhanced digital services, policy administration, claims processing and regulatory management.

Nevertheless, this change notwithstanding, insurance is still a religiously and socially sensitive topic in Saudi Arabia (Osman et al., 2021). Other consumers worry that the traditional insurance packages might contain aspects that are deemed to be contrary to Islamic teachings, e.g. interest, too much uncertainty or gambling. The Cooperative insurance and Takaful models aim to address such issues by focusing on mutual support, collective responsibility, and collaboration between policyholders (Osman et al., 2021). Nevertheless, the presence of a collaborative regulatory

environment does not imply that all consumers are well-informed and knowledgeable about insurance, or that they are accepting of insurance. Individuals might have varying perceptions of its religious validity, justice, utility, and monetary worth. These impressions may affect the willingness of consumers to buy insurance voluntarily, purchase it but because it is a mandatory requirement, or refuse to buy extra insurance that is not mandatory (Arab News, 2021).

The motor insurance is especially significant in the Saudi society due to the fact that private cars are one of the key modes of everyday transportation. Accidents on the road may cause significant financial damages, such as the cost of repairing the vehicle, covering the third party damages, bodily injuries, medical costs, and legal liability. In the absence of insurance, people might have to bear these expenses out of pocket and this can put significant strain on the household earnings and savings. Compulsory motor insurance thus offers a minimum protection in that it covers third party liabilities, though comprehensive motor insurance may offer a wider scope of protection to the insured car (Almulhim et al., 2024). The other most prevalent direct interaction of Saudi consumer with the insurance industry is through motor insurance.

However, the mass buying of motor insurance is not necessarily an indicator of real acceptance by the populace. Some might buy a policy to meet the legal obligation and still doubt its religious suitability, cost, equity, or processes of claiming (Arab News, 2021). Others will identify insurance as one of the best ways of safeguarding themselves and their families against any unexpected financial losses. The positive or negative attitudes towards motor insurance can be formed with the help of consumer awareness, religious knowledge, trust in insurance companies, past claims experience, and being financially protected (Osman et al., 2021).

Further goals of Saudi Vision 2030 (Vision 2030, 2016) are also promoted by the further growth of insurance. A robust and trustworthy insurance system can facilitate financial inclusion, household stability, consumer protection, development of the private-sector, digital transformation, and diversification of the economy (Financial Sector Development Program, 2021). Building up the general trust in insurance may assist people in coping with the risk more efficiently and minimize the amount of money they have to spend on accidents and other unpredictable situations. The proposed research is therefore centered on the relationship between the effectiveness of religious perceptions, awareness, trust and perceived financial protection as well as how these factors affect the acceptance of motor insurance among Saudi consumers.

1.2 Background of the Study

The development of insurance in Saudi Arabia was slow and linked to the economic growth, population size, business growth, and the rise in exposure to financial risks in the country (Oxford Business Group, 2015). In the initial phases of economic development, the insurance services were few and were largely related to the international trade, transport, construction, oil related services and huge commercial projects. The provision of these services was frequently done by the foreign firms or local agents and the domestic insurance market did not have a harmonized regulation framework. The necessity of a structured and trustworthy insurance sector emerged as the Saudi Arabian economy started to become more diversified and individuals and companies started to encounter more complicated risks.

The necessity to create the system that would be in line with the religious, legal, and social context of the country impacted the formal development of the Saudi insurance sector (Osman et al., 2021). Some members of society were always quite sceptical of insurance since traditional insurance policies were occasionally viewed as interest, too much uncertainty, and gambling (Oxford Business Group, 2015). These issues impacted the trust of the populace and were some of the factors that led to reluctance in buying insurance products. In a bid to mitigate these fears, Saudi Arabia embraced a collaborative insurance system that relies on the concepts of mutual help, joint accountability, and collective risk coverage (Cooperative Insurance Companies Control Law, 2021). In this model, the policyholders contribute to a common fund which is used in the compensation of members who have incurred covered losses.

The evolution of cooperative insurance gave a more acceptable model of the growth of the industry (Saudi Central Bank, 2021). It allowed the insurance companies to work in a controlled framework with consideration of religion. Formal licensing, supervisory standards, financial requirements, policy regulations, and consumer-protection measures enhanced the structure of the industry (Saudi Cabinet, 2021). Slowly insurance services began to be offered outside commercial operations to include health, property, marine transport, engineering, liability, savings, and motor risks. This led to the process of insurance being more incorporated in the financial and social endeavours of people and organizations.

One of the most obvious and commonly used types of insurance in Saudi Arabia was motor insurance (Almulhim et al., 2024). The increase of the population, urbanization process, road systems, the number of vehicles and the necessity of using personal transport every day enhanced the significance of protection against the risks on the roads. The launch and the growth of obligatory motor insurance made vehicle owners purchase the minimum of cover to their legal liability to the third party (Saudi Central Bank, 2021). This was to make sure that those who are injured or financially compensated through road accidents would have an opportunity to compensate the damages even when the driver at fault did not have the financial means to give a direct compensation.

Motor insurance became compulsory and this greatly contributed to people coming into contact with the insurance companies. There were numerous consumers who had formerly known very little about insurance and had to decide on policies, pay premiums, renew policies, comprehend terms of the policies, and contact insurers after accidents (Arab News, 2021). Consumers were now engaged with insurance surveyors, vehicle-repair facilities, traffic authorities, claims departments, digital insurance platforms, and complaint-resolution facilities (Saudi Central Bank, 2021). This frequent contact made the general population more aware of insurance but also left consumers vulnerable to concerns about the affordability of premiums, what is covered by a policy, how long it takes to settle claims, the service provided by the customer service department and how equitable the compensation is.

Car accidents have the potential to introduce severe financial repercussions to both individuals, families, businesses, and society. These effects can be the cost of repairing vehicles, healthcare costs, injury compensation, property damages of another individual, legal responsibility, loss of earnings, and temporary loss of transport (Saudi Central Bank, 2021). In extreme situations, an accident can result in long-term disability or even death, which puts extra stress on the household

in question (Arab News, 2021). In the absence of insurance, the accident victim might have to cover the heavy expenses using personal income or savings (Almulhim et al., 2024). Such costs can lead to debts, emergency loans, liquidation of personal assets, or extended poverty. Motor insurance thus plays a significant protective role whereby some of this financial responsibility is shifted off the shoulders of individuals to that of insurance companies.

The perception of insurance in Saudi Arabia has evolved with time as the industry has been brought under more control, made more accessible, and recognisable (Middle East Insurance Review, 2025). The attitudes of the past happened to be largely dominated by doubtfulness in religion, lack of awareness, and a view that insurance was primarily applicable to corporations or those who are rich (Oxford Business Group, 2015). Mandatory motor insurance and health insurance enhanced the daily exposure to insurance and helped to normalize it in Saudi society (Saudi Central Bank, 2021). Consumers can now easily compare prices, purchase policies, renew coverage, and claim and communicate with the insurance providers through digital platforms (Almulhim et al., 2024).

Nevertheless, participation can be increased, which does not guarantee its full acceptance (Arab News, 2021). Consumers can still buy motor insurance due to legal obligations, but others are beginning to recognize it as an acceptable, desirable type of financial protection (Almulhim et al., 2024). Attitudes can be based on religious knowledge, familiarity with cooperative insurance, faith in insurance companies, their past experiences with claims, perceived fairness, and compensation quality. The fact that this is happening makes motor insurance a suitable topic of research on how religious perceptions and real-life experiences of Saudi consumers have an impact on their acceptance of insurance (Osman et al., 2021).

1.3 Brief Review of Relevant Literature

Past studies related to insurance acceptance have mainly focused on defining how willingness to purchase, renew, and recommend insurance products is influenced by various factors. Perceived usefulness, perceived affordability, perceived trust, perceived awareness, perceived previous experience, and perceived consistency of a product with the values of the consumer are often linked to acceptance (Osman et al., 2021). Research often differentiates between mandatory and optional participation. An individual might buy an insurance policy due to the legal obligatory but with a negative attitude towards its price, fairness, or legitimacy (Arab News, 2021). True acceptance is thus more suitable in readiness to continue coverage, buy extra coverage, suggest coverage to other people, and consider it an effective way of risk management (Almulhim et al., 2024).

The Islamic views on insurance have constituted a significant portion of the literature especially in Muslim dominated societies (Osman et al., 2021). The arguments usually revolve around the issue of whether traditional insurance agreements include forbidden aspects of interest, overly high levels of uncertainty, or gambling. These issues may influence consumer behaviour even in the case of insurance regulation by law (Oxford Business Group, 2015). The Islamic methods focus on collaboration, self-help, equality, and collective responsibility. According to the literature, religious compatibility can have a powerful impact on financial decision-making since consumers might be unwilling to use the products that they think have been incompatible with Islamic principles, despite their practical advantages. Nonetheless, religious perceptions do not necessarily rely on the detailed knowledge (Arab News, 2021). A portion of the consumers might be left unsure

of the variations between conventional insurance, cooperative insurance, and Takaful (Osman et al., 2021).

As alternatives, cooperative insurance and Takaful have been created aimed at harmonizing the protection of risks with Islamic principles (Cooperative Insurance Companies Control Law, 2021). Both of them focus on shared contributions and support, yet their working and governance structure can vary (Saudi Central Bank, 2021). Such models may be favoured by consumers who are well aware of their cooperative aspect and feel that the funds are handled in a Sharia-compliant way. However, the Islamic terminology might not be enough to create acceptance (Arab News, 2021). Aligning with this, consumers will consider the quality of service, premiums, coverage, claims process, transparency, and the reputation of the provider (Almulhim et al., 2024).

The trust that the consumer has is always stated as a key factor of insurance acceptance. Insurance contracts include an agreement that in case of a covered loss in the future, there will be a promise of compensation (Almulhim et al., 2024). Consumers have to have faith in the insurer to be honest in explaining the policy, guard their information, deal with claims fairly, and reward them with compensation without causing undue delay. The trust can be decreased in case consumers feel uncertain about certain exclusions, denied claims, ineffective communication, or discrepancies between anticipated and actual compensation. Conversely, clarity in the language of the policies, attentive customer service, efficient regulation, and favourable reception of claims can build the trust and influence the renewal of the policy (Saudi Central Bank, 2021).

The acceptance is also associated with insurance awareness (Arab News, 2021). Customers who comprehend more about premiums, coverage limits, exclusions, deductibles, and claims requirements, and insurance product benefits are typically better equipped to assess insurance products (Almulhim et al., 2024). Poor awareness may lead to unrealistic expectation, improper choice of policy or thinking that all losses must be recompensed. This can lead to dissatisfaction and distrust (Osman et al., 2021). Consumer decision-making and uncertainty about insurance can be enhanced with financial education and available information about the products (Financial Sector Development Program, 2021).

The studies of motor-insurance buying behaviour indicate that consumers take into account both nonfinancial and financial aspects (Almulhem et al., 2024). High price can be a significant factor, in particular, in cases of mandatory insurance (Arab News, 2021). But coverage type, prior accident history, vehicle value, anticipated compensation, insurer reputation, digital convenience, discounts, customer service, and claims speed may also be a determinant in purchasing decisions. Other drivers might choose the cheapest third-party plan just to meet the legal standards, but others can obtain full coverage insurance as they are more interested in securing their cars and personal finances (Almulhim et al., 2024).

The literature also introduces insurance as a financial security (Almulhim et al., 2024). The motor accidents may generate repair costs, third-party costs, medical cost, loss of income, and strain on household savings (Saudi Central Bank, 2021). Insurance helps to mitigate the aspects of people having to fund the full amount themselves. Perceived financial protection can then enhance acceptance in case the consumers think that the coverage offers relevant security and value (Osman et al., 2021). In general, past studies suggest that religious perceptions, awareness, trust, cost,

service experience, and perceived protection are interacting factors that determine the level of motor-insurance acceptance.

1.4 Research Problem

The most common type of insurance in Saudi Arabia is motor insurance due to the necessity to have a cover by vehicle owners (Almulhim et al., 2024). This mandatory system has enhanced the insured number of vehicles and the contact with insurers has become a normal aspect of vehicle ownership (Saudi Central Bank, 2021). But the prevalence is not always a sign of the real acceptance of the population. There are many consumers who might buy motor insurance just to fulfil their legal mandate and their perception towards insurance may be questionable or even adverse. This brings a difference between mandatory and voluntary attendance (Arab News, 2021).

The issue of religious legitimacy is one of the aspects of the problem. Despite Saudi Arabia implementing a cooperative model of insurance, which is aimed to be used in accordance with the Islamic principles, not all the consumers are likely to comprehend the differences between cooperative insurance and the traditional insurance. Others might still regard insurance as a source of interest, too much uncertainty, or gambling, or view it as an acceptable way of helping each other and insuring. Such religious perceptions can affect the perceptions of consumers about motor insurance being acceptable, trustworthy, and worthwhile (Osman et al., 2021).

The second concern is the perceived financial worth and equity of motor insurance (Almulhim et al., 2024). When consumers pay the premiums, they expect the insurer to cover them in case of an accident or a covered loss (Saudi Central Bank, 2021). However, perceptions can be subject to premium rates, policy exclusions, deductibles, amount of compensation, repair, and fastness of claims process. In the event the consumers are not convinced that the policies are affordable, ambiguous, or discriminatory, they might be unhappy and see insurance as a financial liability instead of a helpful service (Arab News, 2021). Conversely, good claims experiences can boost confidence and stimulate renewal or the acquisition of wider coverage (Almulhim et al., 2024).

The awareness of insurance is also an important aspect of the research issue (Arab News, 2021). The lack of awareness of policy terms, coverage limits, exclusions, and demands, claims can cause unrealistic expectations and lead to conflicts between consumers and insurers (Almulhim et al., 2024). Even when the decision is made under the terms and conditions of a contract, a consumer that lacks complete knowledge about the policy can perceive a denied or decreased claim as a sign of injustice. Thus, awareness can influence trust, satisfaction, and acceptance (Arab News, 2021).

The central research problem is that the influence of factors on motor-insurance acceptance among Saudi consumers has not been adequately investigated jointly (Almulhim et al., 2024). The interaction between religious perceptions, insurance awareness, trust in insurance companies, experience in previous claims and perceived financial protection can affect consumer attitudes and behaviour (Osman et al., 2021). These relationships need to be investigated in order to conclude whether motor insurance is viewed as a valid and useful risk-management tool or it is simply bought due to the necessity. The results can be used by insurers and regulators to enhance the general knowledge, the quality of services, confidence, and solvency (Saudi Central Bank, 2021).

1.5 Research Questions

The research question examines the religious, informational, institutional, and financial variables that determine the level of consumer acceptance of motor insurance in Saudi Arabia (Osman et al., 2021). It also looks into the issue of whether mandatory enrollment has led to true acceptance and how enhanced trust in insurance by the population can help national development agendas (Almulhem et al., 2024). Based on this, the following questions are aimed at being answered in the study:

1. What is the impact of religious perceptions and acceptance of motor insurance among Saudi Arabian consumers?
2. What is the impact of knowledge of consumers about cooperative insurance on their knowledge and acceptance of motor insurance? (Osman et al., 2021)
3. How do the trust towards insurance companies, past claims experience and willingness of consumers to purchase or renew motor-insurance cover relate to each other?
4. What is the effect of perceived financial protection, fairness, usefulness and value on consumer attitudes toward motor insurance?
5. How successful has the introduction of compulsory motor insurance been in terms of public awareness and attitude and is participation due to a true acceptance or just a legal obligation? (Arab News, 2021)
6. What role can increased consumer acceptance of motor insurance play in achieving financial resiliency, consumer protection, development of the insurance sector, and the Saudi Vision 2030 goals? (Financial Sector Development Program, 2021)

1.6 Research Hypotheses

The research hypotheses give testable statements related to the anticipated relationships of the key variables of the research (Almulhim et al., 2024). They are based on the research question and problem and will aim at explaining how the perceptions of religion, awareness of insurance, trust, experience of claims, and perceived financial protection affect consumer acceptance of motor insurance in Saudi Arabia. The hypotheses also differentiate between the forced presence and the voluntary response as buying insurance to fulfil a legal obligation might not be an expression of a good attitude and desire to have a wider coverage (Arab News, 2021).

Religions are likely to be a significant factor when consumers are assessing motor insurance (Osman et al., 2021). When cooperative insurance is perceived as Sharia-compliant and as one that is based on mutual assistance, consumers might be more inclined to consider it as a legitimate and acceptable practice. Conversely, interests, uncertainty, or gambling issues can decrease voluntary purchasing intentions (Osman et al., 2021).

Acceptance is also likely to be influenced by insurance awareness (Arab News, 2021). When consumers are aware of policy coverage, exclusions, deductibles, claims procedures and the cooperative nature of insurance, they could be better equipped to assess the benefits of insurance. Reliability is also a crucial factor since the policyholders rely on the insurance companies to provide correct information, treat claims in a just manner, and compensate them in line with the agreements (Osman et al., 2021). The perceived financial protection will lead to a rise in acceptance where consumers hold the view that motor insurance would secure savings, lessen unforeseen costs, and restrain the monetary impacts of road accidents (Almulhim et al., 2024). History of claims can also influence trust and subsequent buying behaviour. Acceptance might also be reinforced by fair pay, effective communication, and prompt claims settlement, whereas negative experiences may undermine it.

The following hypotheses are therefore proposed:

H1: Perceived Sharia compliance of cooperative insurance has a significant positive effect on consumers' attitudes toward motor insurance. (Osman et al., 2021)

H2: The attitude towards motor insurance of consumers towards insurance is significantly influenced positively by insurance awareness.

H3: The degree of trust in the insurance companies significantly positively influences the attitudes of consumers to motor insurance. (Osman et al., 2021)

H4: The perceived financial protection has a strong positive influence on consumer attitudes towards motor insurance.

H5: The positive experiences of positive motor-insurance claims positively impact consumer trust towards insurance companies. (Almulhim et al., 2024)

H6: The positive attitudes towards motor insurance influence the acceptance, renewal intentions and the willingness to purchase extra cover positively in a significant way.

H7: The relationship between perceived Sharia compliance and consumer acceptance of motor insurance is mediated by consumer attitudes towards motor insurance.

These hypotheses are clear and can be tested. The initial four hypotheses analyse the variables that affect consumer attitudes, the fifth one analyses how the experience of claims affects the development of trust, and the sixth correlates the attitudes with the acceptance. The seventh hypothesis is whether religious perceptions affect the acceptance indirectly by consumer attitudes.

Rather than individual hypotheses, descriptive analysis, comparisons between groups, and discussion of the results can be used to explore the impacts of compulsory insurance and the role of insurance acceptance in Saudi Vision 2030 (Financial Sector Development Program, 2021). This makes the statistical model concise and manageable.

1.7 Research Objectives

This research is primarily aimed at studying the influences contributing to consumer acceptance of motor insurance in Saudi Arabia (Almulhim et al., 2024). The research concerns the relationship between the perceptions of religion, insurance awareness, trust, experience in claims, perceived financial protection, mandatory participation, and the rest of the national development goals (Osman et al., 2021). In this regard, the following objectives will be aimed at by the study:

1. To analyse how perceived Sharia compliance of cooperative insurance, influences the attitude of Saudi consumers towards motor insurance.
2. To determine the consumer awareness of cooperative motor insurance such as coverage of policy, exclusions, deductibles, premiums, and the process of claims.
3. To examine the association between trust in insurance companies and the acceptance, renewal intentions and willingness to buy more motor-insurance coverage among the consumers.
4. To establish the impact of past claims experiences, such as speed, fairness, transparency and quality of claims handling on consumer trust and satisfaction.
5. To assess the impact of perceived financial protection, usefulness, fairness and value on consumer attitudes towards motor insurance.
6. To find out whether the prevalence of compulsory motor insurance can be attributed to actual acceptance of the product by the consumers or it is more about the need to comply with the law.
7. To investigate the role of increased acceptance of motor insurance by consumers in promoting financial resilience, consumer protection, growth of insurance sector, and Saudi Vision 2030 goals.

These aims offer an organized foundation to the study of the religious as well as practical aspects of the motor-insurance acceptance. They also assist in the creation of the research instrument, testing of the hypotheses that are proposed, and interpretation of the results of the study.

1.8 Research Importance

Academic Importance

The research is scholarly as it adds to the body of literature on Islamic insurance by discussing the perception and assessment of the Sharia compliance of cooperative motor insurance by Saudi consumers (Abdur Rehman et al., 2021). Current literature tends to concentrate on the legal frameworks, business models, and distinctions of the traditional insurance and Takaful (Amuda and Alabdulrahman, 2023). Nevertheless, little is done on whether consumers perceive these differences clearly and the effects of their perceptions to acceptance. This study contributes consumer-based approach by analysing the connection of perceived Sharia compliance with religious issues, attitudes and intentions of purchasing insurance.

The work also adds to the consumer-behaviour literature by integrating the religious, informational, institutional, and financial factors into a single study (Almulhim et al., 2024). Premiums and coverage are not the only factors that can affect the decision to be made by a motor-insurance; trust, experience of claims, fairness, usefulness, and even religious compatibility can all influence the decision. When these factors are analysed collectively, a more detailed

explanation of the factors that make consumers accept, renew, recommend, or reject insurance products can be obtained.

The other scholarly input is associated with the decision-making in religion (Abdur Rehman et al., 2021). Interest, uncertainty, gambling, mutual assistance and social responsibility are some of the beliefs that may influence financial decisions in the Muslim societies. This paper examines the interplay between such beliefs and practical requirements to protect against financial risks in the road. It further separates the informed religious issues and the uncertainty arising due to the little understanding of insurance policies.

The study also adds to the body of literature on financial protection by exploring the view that consumers think motor insurance safeguards savings, decreases some unexpected costs, third-party capping, and enhances household financial security. Lastly, it provides a context-specific evidence on insurance acceptance in Saudi Arabia by separating true acceptance and participation through the involvement of legal coercion alone (Oxford Business Group, 2022).

Practical Importance

The results can assist insurers in becoming aware of the variables that impact customer trust, satisfaction, renewal intentions, and readiness to buy comprehensive coverage (Abdur Rehman et al., 2021). The results can be used by insurers to enhance policy explanations, claims services, transparency, communication with customers, and public education about cooperative insurance.

The research can also be of help to the Insurance Authority by finding out the areas where the consumers need more awareness, protection, and regulation (Amuda and Alabdulrahman, 2023). The results can justify greater disclosure provisions, higher standards of claims-handling, and better consumer-education programs.

To policymakers, the study could serve as a piece of evidence to create programs that will enhance financial resilience and confidence among the population in the insurance market (Oxford Business Group, 2022). It can result in consumers having a better understanding of the terms of a policy, their rights, responsibilities, exclusions, and claims procedures, and make more useful financial choices.

The findings can be used by religious and financial-education organizations to make the principles of cooperative insurance more understandable and discuss the widespread misconceptions related to the religious validity and practical usefulness of cooperative insurance. Moreover, Vision 2030 planners might find it helpful to learn how an increase in insurance acceptance can promote financial inclusion, household protection, growth of the private-sector economy, digital transformation, and the creation of a more stable and diversified financial system (Amuda and Alabdulrahman, 2023).

The research methodology will be presented briefly in this section (1.9).

This paper will take a quantitative research design to investigate the determinants of consumer acceptance of motor insurance in Saudi Arabia (Almulhim et al., 2024). The quantitative

methodology would be suitable since the research aims at quantifying the relationships between well-defined variables, such as perceived Sharia compliance, insurance awareness, trust in insurance companies, claims experience, perceived financial protection, consumer attitudes, and motor-insurance acceptance. It also allows the hypotheses put forth to be tested with the statistical processes and makes the results of the study to be compared with the varied sets of consumers.

The research design employed in the study is a cross-sectional research design whereby the data will be gathered on the respondents within a given time span. The design is appropriate in that it offers up to date information on the perception and experience of the Saudi consumers without the need of a repetitive observation of the same over an extended period of time. The study is also explanatory since it seeks to establish how well the chosen independent variables can explain the differences in consumer attitudes and acceptance of motor insurance.

The survey questionnaire will be a structured survey to gather data. The questionnaire will include parts that will focus on the demographics of the respondents, the profile of motor-insurance, knowledge about cooperative insurance, the religious beliefs, the confidence with the insurance companies, past claims experiences, the perceived financial security, the attitudes, and the intentions to purchase or renew the insurance. Majority of the items will be measured on a Likert scale to enable the respondents to state the degree to which they agree with each statement. Reviewing the questionnaire by relevant experts and testing it on a pilot study will be done prior to the main data collection to determine its clarity, validity, and reliability.

The intended population will include the adult motor vehicle owners and the regular drivers in Saudi Arabia who have or have had motor-insurance cover. Appropriate sampling technique will be employed to get responses of consumers who have direct experience about motor insurance. The research will aim at having a large sample size that will facilitate valid statistical analysis and hypothesis testing.

The data obtained will be coded, screened and analysed in SPSS, AMOS, SmartPLS or any other statistical software that the university and supervisors approve. This could be analysed by use of descriptive statistics, reliability testing, validity analysis, correlation analysis, regression analysis, structural equation modelling, and mediation testing. The detailed research philosophy, sampling procedures, measurement instruments, data-collection process, ethical considerations, and statistical techniques will be presented in Chapter Four.

1.10 Scope and Limitations

This research is confined to the analysis of customer acceptance of motor insurance in the Kingdom of Saudi Arabia (Almulheim et al., 2024). The geographical area encompasses the entire area of Saudi Arabia but the respondents may not be equally involved in all areas based on availability of survey and their willingness to respond. The target population will be a sample of adult Saudi citizens who have a car or drive a car with motor insurance. It is an appropriate population since its members have direct experience with either purchasing, renewing, using or interacting with motor-insurance services.

The work concentrates on motor insurance as opposed to other kinds of insurance like health insurance, property insurance, life insurance or business insurance. Motor insurance is chosen due to its widespread, mandatory in numerous situations, and one of the most frequent types of contact between consumers and insurance companies in Saudi Arabia (Oxford Business Group, 2022; Al-Issa, 2022). The subject areas are religious attitudes towards cooperative insurance, awareness of insurance, trust towards insurance companies, past experience with claims, perceived financial protection, consumer attitudes, and acceptance of motor-insurance. The indicators used to test acceptance include eagerness to renew the coverage, buy extra protection, refer people to the insurance provider and perceive insurance as more valuable than the law requires it.

The research time will be restricted to the period of data-collection that will be approved by the university and the supervisors of the research. Thus, the results will be based on the perception and experiences of the respondents at that particular time and might not be able to reflect the changes that have happened before and after the study.

The findings will be prone to a number of limitations. To begin with, the research is based on self-reported data that can be subject to memory lapses, personal bias, or social desirability bias. Second, it might not be feasible to achieve a fully representative national sample since participation can be focussed in specific regions or population groups (Almulhem et al., 2024). Third, the questions about religion, compliance with Sharia can be delicate, and a part of the respondents can be reluctant to share their real views (Abdur Rehman et al., 2021).

This cross-sectional design also prevents the possibility of determining how attitudes change over time and defining certain causal relationships (Almulhim et al., 2024). The variation among geographical areas, age, education and insurance experiences can also influence consumer perceptions. Moreover, the low access to internal insurance-company data might not permit the comparison of consumer responses with actual claims, renewal, complaint or compensation data. When interpreting and generalizing the results, these limitations will be considered.

1.11 Operational Definitions

For this study, the following terms are defined operationally:

Religious perception: The extent to which consumers think that the motor insurance is in line with Islamic principles especially in Sharia compliance, mutual assistance, uncertainty, interest and gambling.

Cooperative insurance: A scheme where the members contribute towards a common pool that is utilized to pay out members who suffer covered losses and operations are supposed to be done in cooperation with cooperative and Sharia-compliant principles.

Consumer acceptance: The degree to which people consider motor insurance as a legitimate, useful, fair, trustworthy and worthy of both purchase, renewal, or recommendation beyond the legal requirements.

Motor insurance: This is the protection that covers the financial losses which can occur due to the vehicle accidents as well as the liability of the third party and where relevant, the damage to the insured vehicle.

Insurance awareness: The awareness of a consumer regarding insurance products, terms and conditions of a policy, the premiums paid, exclusions, deductibles, coverage limits, claims procedures and legal obligations.

Trust: The belief that consumers have about insurance firms to deliver correct information, treat their clients fairly, safeguard their interests and pay their claims as stipulated by the policies.

Claims experience: The firsthand experience of a consumer in reporting, processing and settling a motor-insurance claim, both in terms of speed, transparency, fairness, communication and compensation.

Perceived financial protection: How well consumers perceive that motor insurance helps cut down unforeseeable costs, safeguard savings, limit liabilities, and enhance financial achievement in the event of an accident.

Purchase intention: This is the probability that a consumer stated he would (or would not) purchase, renew, upgrade, or recommend motor-insurance coverage.

Vision 2030 contribution: The perceived role of wider insurance acceptance in facilitating financial resilience, consumer protection, financial inclusion, development of the private-sector, and Saudi Vision 2030 objectives.

1.12 Organization of the Thesis

This thesis is divided into five related chapters which discuss consumer acceptance of motor insurance in Saudi Arabia. The chapters are sequenced based on the research problem and the theoretical background up to the methodology, findings and conclusions.

Chapter One, General Framework of the Study, presents the subject of the study and lays the basis of the study. It has the study background, problem, questions, hypotheses, objectives, importance, methodology, scope, limitations, operational definitions, and thesis structure. It also determines the major variables that are tested in the study.

Chapter Two, Theoretical Background and Saudi Insurance Context, provides explanations of insurance, risk management, cooperative insurance, and Takaful. It talks about Islamic views towards insurance and issues to do with interest, uncertainty and gambling. The chapter also looks at the history and regulation of the Saudi insurance industry, and focuses on motor insurance, financial protection, and Saudi Vision 2030.

Chapter Three, Literature Review, Conceptual Framework, and Hypothesis Development, summarizes the past studies on the religious perceptions, insurance awareness, trust, claims

experience, financial protection and consumer acceptance. It determines literature gaps, elaborates the conceptual framework and justifies the theoretical foundation of the hypotheses advanced.

Chapter Four, Research Methodology, describes how the empirical study will be conducted. It explains the quantitative approach, cross-sectional design, target population, sampling method, questionnaire development, variable measurement, pilot study, validity and reliability procedures, data collection, statistical analysis, and ethical considerations.

Chapter Five, Results, Discussion, Conclusions, and Recommendations, reports the empirical results and discusses the hypotheses of the research. It presents respondent characteristics, descriptive findings, reliability and validity findings and statistical relationships between the variables. These are then compared with what has been found before and other theories. The chapter ends with the implications of the study, conclusions, recommendations, limitations and future research suggestions.

Together, these chapters provide a structured examination of the religious, informational, institutional, and financial factors influencing motor-insurance acceptance in Saudi Arabia.

Chapter Two: Theoretical Background and Saudi Insurance Context

2.1 Insurance and Risk Management

Insurance is an official financial agreement that aims to minimize the financial impact of those events, which are not completely predictable (Rejda & McNamara, 2021). It helps people, families, companies and government institutions to cushion themselves against losses that could be incurred due to accidents, illness, property damage, legal liability, death, or other risks. In the context of an insurance agreement, the policyholder is obliged to pay a certain amount of money to the insurer in order to receive financial reparations, should a certain event take place. Insurance does not eradicate risk, but it limits the financial effects of a risk by spreading out the losses among more people and then compensates based on the policy terms (Vaughan and Vaughan, 2008).

Risk pooling is a key tenet of insurance (Rejda & McNamara, 2021). Risk pooling is the situation in which numerous individuals or organizations make premiums to a shared fund. Though all policyholders are subjected to a certain kind of risk, only a fraction of them are likely to suffer a loss within a given time frame. The higher premiums charged on the bigger group are thus utilized to pay those that incur covered losses. Such a shared structure enables one to convert the uncertainty and possibly extreme losses at an individual level to more predictable and manageable expenses. Risk pooling effectiveness requires that there is a sizeable and heterogeneous pool of policyholders and that the insurer is capable of estimating the frequency and severity of the anticipated claims (Vaughan, and Vaughan, 2008).

Risk transfer is also a part of insurance (Rejda & McNamara, 2021). The policyholder under the insurance contracts the financial implications of a particular risk with a portion of the risk to the insurance company. Indicatively, a car owner risks repair expenses, third party claims or legal liability after a road accident. When the owner buys motor insurance, the insured financial risk is shifted to the insurer, within the limits of the policy, without the exclusions and conditions of the policy. Physical occurrence of an accident is still a possibility, but the burden of paying qualifying losses is shifted. The use of risk transfer is particularly relevant in cases where the risk loss is too big to be taken on by the individual or business without incurring significant financial strain.

The other basic principle is indemnity (Vaughan and Vaughan, 2008). The indemnity principle seeks to place the insured party back to the same financial position as before the loss had taken place as much as possible. Insurance compensation is not usually decided to generate a financial gain to the policyholder. An example is whereby the insured vehicle is damaged, the insurer can pay the reasonable cost of repair or compensate the vehicle on the basis of the insured or market value of the vehicle. It all depends on the kind of policy and a contract. The concept of indemnity ensures fairness and decreases the motivation of policyholders to gain money in case of an insured event (Rejda & McNamara, 2021).

Premium is the cost that the policy holder pays to obtain insurance cover (Vaughan and Vaughan, 2008). The amount of premium is generally pegged on the amount of risk posed by the individual covered, property, or undertaking. Factors like the type and value of the vehicle, the age and experience of the driver, the history of accidents, location, type of coverage, and anticipated cost of claims may be taken into account during the calculation of the premium in the motor insurance

(Almulhim et al., 2024). Other costs that are taken into consideration by the insurers are administrative costs, regulatory costs and the necessity to have adequate financial reserves. To the consumer, the premium is a fixed and controllable cost to bear to prevent the risk of a far bigger and unknown loss.

A claim refers to a formal request that a policyholder or other qualified third parties apply to receive compensation under an insurance policy (Rejda & McNamara, 2021). The process of claims usually includes reporting the event and loss to the insurer, submitting the evidence, determining the event and loss, estimating the damage caused and calculating the compensation that is to be paid. The importance of claims handling lies in the fact that this is the point where the insurer fulfils its promise to the contract (Almulhim et al., 2024). Slow, ambiguous, or inequitable claims procedures can decrease consumer trust, and clear and effective settlement can build confidence in insurances and willingness to renew it (Abdur Rehman et al., 2021).

Moral hazard is another issue that insurance markets encounter (Rejda & McNamara, 2021). Moral hazard is whereby the insurance cover alters the behaviour of a person and makes him more likely to be affected by a loss or the loss more expensive. A policy-holder might be less cautious after insuring since some of the monetary damage will be shared with the insurer. As an illustration, an insured motorist might not be as cautious in securing a car or could overvalue the damage in filing a claim. Insurers strive to manage moral hazard by the use of deductibles, policy limits, exclusions, inspections, investigation of claims and mandating that policyholders reasonably prevent loss.

Another issue that is related is adverse selection (Rejda & McNamara, 2021). Adverse selection occurs when people who are more likely to suffer a loss have a greater likelihood of buying insurance, or purchasing more extensive coverage than those who are less likely to suffer a loss. In case insurers are not in a good position to relate the variations in the risk, they might be paying premiums that are either too low to those with a high risk and too high to those with low risk. Such an unbalance may raise claims expenses and reduce the financial sustainability of the insurance pool. Underwriting, risk classification, disclosure and application of relevant information in premium-setting are some of the methods used by insurers to overcome adverse selection (Vaughan and Vaughan, 2008).

In addition to the personal compensation, insurance also fulfils significant social and financial roles (Rejda & McNamara, 2021). In social terms, it offers safety by assisting households in regaining the losses, which are not expected, and decreasing the reliance on personal savings, family assistance, or emergency loans. It also defends the victims of the accidents and third party by assuring them that they have a compensation when the concerned person is not available to make direct payment. Insurance promotes investment, credit, trade, business continuity, and entrepreneurship economically (Vaughan & Vaughan, 2008). When they can insure major risks, businesses are more ready to perform productive activities. Insurance companies also gather and invest premiums, which leads to the formation of capital and the development of financial-market (Saudi Central Bank, 2021).

In general, insurance is an essential aspect of risk management in the modern world (Rejda & McNamara, 2021). It minimizes the financial uncertainty with regards to the unexpected events through the risk pooling, transferring, indemnity, premium collection, and claim settlement. Meanwhile, efficient insurance schemes should tackle the moral hazard and adverse selection, to ensure that they are both equitable and economically viable (Vaughan & Vaughan, 2008). Its wider social and economic functions render insurance especially essential in fields like motor transportation, where a mishap may lead to serious economic and legal ramifications to people and the community (Oxford Business Group, 2022).

2.2 Conventional, Cooperative, and Takaful Insurance

The insurance systems may be structured based on various legal, financial and ethical principles. The three most applicable models to the study are conventional commercial insurance, cooperative insurance, and Takaful insurance (Bhatti and Shoaib, 2025). All of them aim at saving individuals and organizations the financial losses, but they do not share the same characteristics in the ownership of the insurance funds, the treatment of the surplus, the relationships between the participants, and the way risks are distributed and the governance systems are applied (Hussain, 2018). Such differences are particularly significant when it comes to Muslim societies, whose religious acceptability can affect the attitudes of consumers and their purchasing behaviour (Bhatti and Shoaib, 2025).

The traditional commercial insurance is founded on a contract between an insurer and a policy holder (Vaughan & Vaughan, 2008). The payment made by the policy holder is a premium and the insured or another eligible individual is compensated by the insurer in case a named loss arises. The insurance company is a profit-oriented organization and covers the financial outcomes of the risks covered (Rejda & McNamara, 2021). The resources of insurers are usually regarded as premiums paid by policyholders (Hussain, 2018). The money is utilized in paying claims, administration expenses, reserves, reinsurance and investment revenue.

The main customer, but not an owner of the insurance fund, is the policyholder in this model. The rest of the profit usually goes to the company and the shareholders after claims, expenses and reserve requirements have been satisfied (Almadina Takaful, n.d.). The relationship is thus commercial and contractual. The financial impact of some of the risks is transferred to the insurer in exchange of a premium (Bhatti and Shoaib, 2025). This setup is defined as risk transfer as the insurer will be liable to paying within the policy limits and terms eligible losses (Almadina Takaful, n.d.; BJAk, 2025).

Some Islamic scholars and consumers have questioned conventional insurance since some of these arrangements can include aspects deemed to be against the Sharia principles (Hussain, 2018). The issues can be connected with interest in case money is invested in interest-bearing securities, too much uncertainty since it is not known when and how much a future claim can be received, and gambling-like results when a party is getting money, and the other receives little or nothing (Almadina Takaful, n.d.; BJAk, 2025). Those anxieties promoted alternative approaches with cooperation and mutual support (Bhatti and Shoaib, 2025).

The concept of cooperative insurance is founded on the principle that people who face a similar risk will participate in a common scheme of collective protection (Abdulrahim, 2011). The members contribute money to a fund, which is utilized to pay those members who incur covered losses. The principle of cooperation stresses mutual support, collective responsibility, and social solidarity instead of a strictly commercial relationship (Saudipedia, 2023). But cooperative insurance can be in various forms which are legal. In other systems the policyholders are the direct owners of the fund where in others a company owned by a shareholder is running the insurance business on the basis of the cooperative rules.

The cooperative model applied in the case of Saudi Arabia is aimed at merging professional insurance management with the mutual protection principles (Saudipedia, 2023). The insurance companies undertake the responsibility of underwriting risks, collecting the contributions, managing investments, paying claims and complying with the regulatory requirements (Cooperative Insurance Companies Control Law, 2003). Simultaneously, the system is anticipated to demonstrate collaboration between policyholders and to eliminate practices that are at odds with Islamic tenets (Saudipedia, 2023). This structure focuses on collective protection, even though shareholder interests might be present.

Cooperative insurance has an important characteristic of treating surplus (Almadina Takaful, n.d.; BJAk, 2025). Excess occurs when the difference between contributions and investment returns and claims, expenditures, and necessary reserves is greater. The surplus can be retained as a strengthening of the fund, paid to the eligible policyholders, or shared between participants and the operating company, depending on the approved structure (Saudi Central Bank, 2021). The delivery model must be clear as consumers know the structure as a truly cooperative one (Prudential, n.d.).

Another type of Islamic alternative is Takaful insurance which relies on mutual support, collective responsibility, and collective guarantee. Members deposit funds in a mutual risk pool with a view of assisting members to experience covered losses (Almadina Takaful, n.d.). The fund is administered by the Takaful operator, but is not usually owned by it. Depending on the model of the contract, the operator can be paid management fee, profit sharing of investment, or both (Almadina Takaful, n.d.). Usual ones are agency-based models (Wakala), profit-sharing models (Mudaraba), and hybrid models (Prudential, n.d.).

One of the major aspects of Takaful is that the risk fund and the shareholder fund of the operator are separated (Prudential, n.d.). The contributions and claims, the reserves and the returns on the investments are not included in the assets of the operator. Collectively, the participants have an interest in the risk fund, and the operator carries out administrative and investment tasks (BJAK, 2025). In case of the surplus of the fund, it can be given to the participants who are qualified or kept in reserve (Almadina Takaful, n.d.). In the event of deficit in the fund, an interest-free loan can be offered by the operator, which is to be repaid later in the case of surplus.

The three models (BJAK, 2025) have different ownership of funds. In traditional insurance, the premiums tend to become the property of the insurer, and their leftover profits are largely in the hands of shareholders. Under cooperative insurance, the ownership is subject to the legal and regulatory set up, but the fund is supposed to be operated in the best interest of the policyholders

(Saudiopedia, 2023). In Takaful, the fund owned by the participants is officially divided out of the assets of the operator and is run to their advantage (Prudential, n.d.).

There is also a difference in the relationship between the participants (Almadina Takaful, n.d.). Under traditional insurance, there is typically no direct relationship between policyholders and the insurer, just a contractual relationship between them. In cooperative insurance, the participants are hypothetically linked by a mutual protection scheme. In Takaful, this reciprocal relationship is more overt as the parties raise a shared pool of money to help each other out. The difference between risk transfer and risk sharing is due to these differences. In conventional insurance, risk is mostly shared between the insurer and the insured, but in cooperative insurance and Takaful, more risk is shared between the parties (BJAK, 2025).

In every insurance model, governance is very fundamental (Rejda and McNamara, 2021). Traditional insurers fall under corporate, insurance, actuarial, financial reporting, auditing and consumer-protection regulations (Vaughan & Vaughan, 2008). Cooperative insurers need more regulations related to the interests of policyholders, the surplus distribution, the fund management, and the maintenance of the principles of cooperatives (Saudiopedia, 2023). Financial governance and Sharia governance are needed by Takaful operators (Central Bank of UAE, 2024). A Sharia oversight committee can examine contracts, investments, charges, excess schemes, and business practices to make sure they adhere to Islamic values (Almadina Takaful, n.d.; Central Bank of UAE, 2024).

In general, the three systems have the same general aim to minimize the financial consequences of unforeseen losses, yet they vary in design and ideology (Bhatti & Shoaib, 2025). Traditional insurance focuses on commercial risk transfer, cooperative insurance focuses on mutual risk transfer in a regulated environment, and Takaful is a combination of collective risk transfer and formal Sharia oversight (Hussain, 2018). These differences play a crucial role in the comprehension of how Saudi consumers consider the validity, fairness, transparency, and worth of motor insurance (Abdur Rehman et al., 2021).

2.3 Islamic and Religious Perspectives on Insurance

The concept of insurance has been a topic of dialogue in Islamic finance since it is uncertain, responsive to compensation in the future, an investment, and sharing or transfer of financial risk (Billah, 2021). The primary religious controversy is not about the necessity to save people the loss, as Islam advocates the safeguarding of wealth, diminishing sufferings, and reciprocal help to members of the society (Qur'an, 5:2). The issue is primarily connected to the organization of insurance contracts, the investment of contributions, the ownership of the insurance fund, and the presence of the aspects that do not align with the Sharia principles in the arrangement (Khorshid, 2022).

Gharar, Maysir, and Riba

Gharar is one of the primary issues related to traditional insurance that means that a contract contains too much uncertainty (Abouzaid, 2021). Insurance is inherently uncertain since neither the insurer nor the policyholder is sure whether or when a loss will occur and the amount of

compensation that may be paid (Billah, 2021). One individual can make premiums over a long period, and never file a claim, and another individual might get a huge amount of money soon after he/she buys a policy. Islamic commercial law does not exclude all uncertainty, as normal business activities are risky (IIFM, 2022). The issue appears when there is too much uncertainty, that is central to the agreement, or that is likely to bring unfairness (Khorshid, 2022). Cooperative insurance is an effort to minimize this issue by considering the payments as contributions to a common pool that is used to cover members who suffer covered losses (Abdur Rehman et al., 2021).

The second issue is *maysir*, which refers to gambling (Abouzaid, 2021). Traditional insurance can resemble gambling as one program member can be rewarded significantly higher than the amount paid in premiums, and another will not be awarded anything (Billah, 2021). Insurance, however, is not gambling. Gambling involves risk in a prospect of making a profit, but insurance covers a risk that already exists, like an accident, illness, theft, or damage to property (IIFM, 2022). The insured individual does not have the normal desire to have the loss. Cooperative insurance also diminishes this issue as it focuses on mutual assistance instead of rivalry or monetary benefits (Khorshid, 2022).

The third is the issue of *riba*, which is often interpreted as forbidden interest (Abouzaid, 2021). *Riba* could occur when insurance premiums or reserves are deposited in interest-earning instruments (Billah, 2021). Cooperative and *Takaful* insurance aim to prevent this by investing in Sharia-compliant investments and avoiding outlawed financial practices (IIFM, 2022). Lack of clear investment policies, good governance and effective Sharia supervision can enhance consumer confidence and boost the acceptability of insurance products (Abdur Rehman et al., 2021).

Mutual Assistance and Social Solidarity

The most prominent Islamic rationale behind collaborative insurance is the ethical idea of mutual assistance (Billah, 2021). Islam promotes teamwork, mutual responsibility, and the empowerment of those in need (Qur'an, 5:2; Abouzaid, 2021). In a cooperative setup, members pay to a shared fund and those who incur losses covered by the fund are compensated (IIFM, 2022).

Such structure transforms the insurance relationship (Khorshid, 2022). Rather than just perceiving the transaction as a commercial transaction between a buyer and a seller, it is a system of collective protection. Every member is contributing a manageable portion and the fund assists those members who suffer greater financial losses. This is not to get rich off the misfortune of another human being but to spread the risk of a broader group (Billah, 2021).

A good example of mutual assistance can be seen in the case of motor insurance (Almulhim et al., 2024). A car crash can cause motor-vehicle-repair expenditure, healthcare costs, damages to third-party property, personal injury, or litigation. These expenses can be beyond the financial ability of the accident driver. A collective insurance fund can be used to make sure that there is compensation and the responsibility is not borne by just one individual or family.

Social solidarity is the idea that helps to provide mutual support to the community (Abouzaid, 2021). Insurance is able to lessen the financial impact of accidents, illness, disability, property damage and other unforeseen events. It is capable of safeguarding individual savings, decreasing reliance on family aid, and avoiding households getting into debt following a severe loss (Billah, 2021).

Motor insurance is also compulsory, which has a social aim as it guarantees third parties (Oxford Business Group, 2022). In the absence of insurance, a person, who is injured, might not be paid in case the guilty driver is not well off. Motor insurance thus safeguards the policy holder and other members of the society. In this regard, it promotes equity and economic stability (Saudi Central Bank, 2021).

Nonetheless, social solidarity is based on equitable execution (Khorshid, 2022). In cases where premiums are regarded as excessively high, claims are not promptly made, or compensation is perceived as inequitable, insurance is not perceived to be a cooperative system by consumers. Instead, they can consider it a business requirement (Abdur Rehman et al., 2021). Insurance companies behaviour thus forms a significant role in influencing how people view it (Almulhim et al., 2024).

Cooperative Responsibility

Cooperative insurance is a type of insurance that entails the involvement of both parties and the insurance companies (IIFM, 2022). Policyholders should make the correct information, contributions, adhere to policy terms, take reasonable precautions, and prevent fraudulent claims (Billah, 2021). Falsehood, fabricated losses, and wilful destruction undermine the mutual fund and raise the expenses of all stakeholders (Khorshid, 2022).

The insurance companies too have their duties (Saudi Central Bank, 2021). They need to handle finances in a professional manner, have adequate financial reserves, communicate policies effectively, handle claims impartially, and safeguard policyholders (Almulhim et al., 2024). They must also invest money in Sharia standards approved and make sure that their businesses are transparent (IIFM, 2022).

The religious legitimacy of cooperative insurance is not in its name alone, but in its practice as well (Abdur Rehman et al., 2021). A company can be a cooperative in legal terms, yet consumers can still be unsatisfied with its authority in case of unclear terms of the policies, excess arrangements are not clarified, and claims are not processed fairly (Khorshid, 2022). Practical behaviour hence influences the level of trust of consumers in the cooperative model (Almulhim et al., 2024).

Conventional and Cooperative Insurance

The key distinction between traditional and cooperative insurance regards risk treatment and the relation between the parties (Billah, 2021). Under traditional insurance, the policyholder agrees to pay a premium and covers the financial impact of the outlined risks to the insurer (IIFM, 2022).

The premiums are owned by the insurance company, which makes payments to claimants and keeps the profit at the end of expenses and obligations (Khorshid, 2022).

Risk sharing is a more solid principle of cooperative insurance (Abouzaid, 2021). Members make contributions to a joint fund, with compensation made to members who suffer covered losses. The insurance firm operates the fund, conducts underwriting, claims and administration. The excess can be held in reserve, given to qualified members, or reinvested into the fund as per the accepted regulations (Saudi Central Bank, 2021).

Traditional insurance primarily forms a direct connection between the insurance company and individual policyholders (Billah, 2021). In the cooperative insurance, the participants are also indirectly related to each other since they belong to a common security system (IIFM, 2022). This disparity justifies the Islamic perspective that risk is not to be sold but shared just to make a profit (Abouzaid, 2021).

Practically, the difference might not be always perceived by the consumers (Almulhim et al., 2024). Policy documents, premiums, renewal processes and claims procedures might seem alike. Certain consumers might thus question the significance of cooperative insurance as compared to traditional insurance (Abdur Rehman et al., 2021). This ambiguity may impact acceptance (Khorshid, 2022).

Religious Uncertainty Among Consumers

One of the main problems with insurance choices is religious uncertainty (Billah, 2021). Not all consumers might clearly comprehend the distinctions between conventional insurance, cooperative insurance, and Takaful (Abdur Rehman et al., 2021). Religious scholars, relatives, friends, social media, or online sources might convey conflicting information to others (Khorshid, 2022).

This uncertainty can be more so concerning voluntary insurance (Almulhem et al., 2024). The vehicle owner might buy compulsory third-party insurance since it is a mandatory requirement but still reluctant to buy comprehensive insurance (Oxford Business Group, 2022). This involvement is one of submission, but not acceptance (Arab News, 2021). This person can choose the most affordable policy and not take optional insurance due to religious reasons or insufficient knowledge (Almulhim et al., 2024).

The consumers might also doubt the fact that insurance companies adhere to the principles of cooperation (Abdur Rehman et al., 2021). The issues can be connected to the investment practices, funds ownership, excess distribution, or fairness of claims practices (IIFM, 2022). Unless these problems are articulated, there is still the possibility of uncertainty even in a formally Sharia-compliant system (Khorshid, 2022).

Influence on Purchasing Decisions

Religious knowledge can have an impact on attitudes, trust, and purchasing intentions on insurance (Billah, 2021). Cooperative insurance can be more easily accepted by consumers who consider it to be consistent with Islamic principles, which can influence their readiness to renew the policy, purchase comprehensive coverage, and refer insurance to others (Abdur Rehman et al., 2021). Mutual assistance, fund management, surplus distribution, and Sharia supervision are explained clearly, which could help to build confidence (IIFM, 2022).

In comparison, voluntary coverage can be avoided by consumers who identify insurance with gharar, maysir, or riba (Khorshid, 2022). They might be further enhanced by their concerns in the presence of poor service delivery, ambiguous exclusions, exorbitant premiums, or adverse claims experiences (Almulhim et al., 2024).

Religion does not exist without practical considerations (Abdur Rehman et al., 2021). A consumer can find insurance religiously acceptable but turn down a policy due to being costly or not covering enough (Oxford Business Group, 2022). Other consumers might not be sure about whether it is religious or not but buy it due to its necessity or necessity (Arab News, 2021).

The acceptance of motor-insurance in Saudi Arabia is thus dynamic to the interplay of religious knowledge, knowledge, trust, affordability, claims experience, and perceived financial protection (Almulhim et al., 2024). These factors should be studied jointly to find out whether consumers perceive cooperative motor insurance as a valid type of mutual protection or as a mandate by law (Abdur Rehman et al., 2021).

2.4 Historical Development of Insurance in Saudi Arabia

In Saudi Arabia, Islamic Insurance Islamic insurance developed gradually due to the increasing economic growth, increased trading, increased population, and increased exposure to financial risks (Oxford Business Group, 2015). Its evolution turned into a limited and largely unregulated practice into a formal system of cooperation, supported by laws, compulsory insurance, online services, and special control (Saudi Central Bank, 2021).

Early Informal and Unregulated Activity

Before a comprehensive regulatory framework was put in place, Saudi Arabian insurance activities were small and fragmented (Oxford Business Group, 2015). This was largely covered by international trade, transport by sea, air transport, construction, work on oil and large commercial works (Abdulrahim, 2011). Insurance services through foreign companies, local agents, or brokers typically were offered on different terms (Oxford Business Group, 2015).

No national standards were put in place at this time to control the licensing of companies, solvency, the terms of policy, claims handling and consumer protection (Saudipedia, 2023). The concept of insurance was also something unfamiliar to the masses, so people generally associate insurance with a business to large organizations, rather than individuals (Oxford Business Group, 2015). The level of acceptance was also affected by the problem of religion when it comes to traditional insurance (Billah, 2021). Other consumers linked insurance to interest, gambling, or too much uncertainty in the contract, which decreased voluntary coverage demand (Khorshid, 2022).

Introduction of Formal Insurance Services

The rapid economic growth in Saudi Arabia pushed the demand towards the organized insurance services (Oxford Business Group, 2015). The increase in infrastructure, transport and the rise in the activity of the private sector, foreign investment and the large scale construction projects posed threats which could not always be handled by individuals and the business on their own (Abdulrahim, 2011). Enterprises needed protection of property, engineering, transport, staff liability, and business (Oxford Business Group, 2015).

Formal domestic insurance services were a significant step in developing the sector (Saudipedia, 2023). A locally acceptable model of risk protection was offered by a national insurance firm that would be managed based on cooperative principles (Cooperative Insurance Companies Control Law, 2003). This contributed to proving that insurance can be designed to be based on mutual help as opposed to a commercial transfer of risks (Billah, 2021). It also enabled the market to be ready to expand in terms of regulation and institutions (Oxford Business Group, 2015).

With the familiarity of insurance, demand was not limited to big commercial risks (Abdulrahim, 2011). People were in greater need of insurance against vehicle accidents, hospital bills, property damage and personal liability (Oxford Business Group, 2015). This expanded need promoted the development of more products of insurance and more insurance companies (Saudipedia, 2023).

Development of Cooperative Insurance

The Saudi insurance system is based on cooperative insurance (Saudipedia, 2023). The model was to be modelled on mutual aid, shared accountability as well as collective indemnification against unforeseen losses (Cooperative Insurance Companies Control Law, 2003). Contributions are made by participants to an insurance plan and the money raised is utilized to compensate those who suffer covered incidents (Saudi Central Bank, 2021).

The model of cooperation was particularly significant as it considered religious issues related to traditional insurance (Billah, 2021). It was to decrease uncertainty and prevent prohibited interest-based investments and focus on social solidarity and risk sharing (Khorshid, 2022). Nonetheless, Saudi cooperative insurance also evolved by the shareholder-owned companies that professionally handle the contributions, investments, reserves and claims (Saudipedia, 2023).

Its implementation spurred the development of local licensed insurance companies and increased the number of products (Oxford Business Group, 2015). Health, motor vehicle, property, marine transport, engineering, liability, protection and savings insurance and other specialized risks started to be covered (Saudi Central Bank, 2021). Cooperative insurance thus not only became a religiously connotative structure, but it also became a significant aspect of the national financial system (Abdulrahim, 2011).

Establishment of Regulatory Frameworks

One of the key steps in the development of the sector was the enactment of the legislation regulating the cooperative insurance companies (Cooperative Insurance Companies Control Law,

2003). The regulator framework provided formal company licensing conditions, capital sufficiency, financial reserves and corporate governance, reporting, claims management and regulatory oversight (SaudiPedia, 2023).

Additional implementing regulations further elaborated on the role of insurers, insurance professionals, and intermediaries (Saudi Central Bank, 2021). Corporations had to keep sufficient financial capabilities and technical reserves to satisfy future claims (Cooperative Insurance Companies Control Law, 2003). Rules were also implemented to enhance transparency, safeguard policyholders, and make sure that the insurance companies were operating fairly and sustainably (SaudiPedia, 2023).

This model turned insurance into a disjointed business to a regulated financial industry (Oxford Business Group, 2015). It enhanced consumer, investor, and business confidence and offered greater market entry and company performance criteria (Saudi Central Bank, 2021).

Expansion of Health and Motor Insurance

The introduction of compulsory insurance greatly increased the size and social importance of the Saudi insurance market (Oxford Business Group, 2015). Mandatory health insurance increased the contact between the employers, employees, insurance companies, and healthcare professionals (Saudi Central Bank, 2021). It also turned insurance into a daily experience of a number of residents (Oxford Business Group, 2015).

Another significant sphere of development was motor insurance (Oxford Business Group, 2022). The growth of cities, roads, the number of vehicles, and the reliance on personal transportation were the causes of the increased exposure to road accidents and associated financial losses (Almulhim et al., 2024). Mandatory third-party motor insurance obliged the owners of vehicles to acquire the minimum protection against the liability in case of an accident (Saudi Central Bank, 2021).

This was to make sure that individuals who had either suffered physical harm or property damage could be compensated even in cases where the driver who caused the injury or damage had no adequate financial means (Oxford Business Group, 2022). Owners of vehicles began to be more engaged in the process of buying policies, comparing prices, renewing, accident reporting, claims, and communication with insurers and repairers (Almulhem et al., 2024).

Compulsory coverage also expanded, posing a problem (Oxford Business Group, 2022). The insurance firms were forced to deal with the growing number of claims, fraud, pricing and customer dissatisfaction. The regulators had to address the necessity to enhance the quality of claims handling, competition, consumer awareness, and financial sustainability (Saudi Central Bank, 2021). Another significant distinction was found in the legal participation and the actual consumer acceptance in the case of compulsory insurance (Arab News, 2021).

Digitalization and Modern Insurance Services

The distribution and management of insurance services were greatly altered by digital transformation (Middle East Insurance Review, 2025). Businesses launched websites and mobile apps, electronic policies, online payment, automated renewal systems, and digital claims submissions (Oxford Business Group, 2022). Consumers were able to acquire and renew coverage without having to visit one of the insurance branches (Almulhim et al., 2024).

Motor insurance saw the emergence of online comparison platforms as especially critical (Almulhim et al., 2024). They enabled consumers to compare prices and coverage of various companies, making it more convenient and transparent on the market (Oxford Business Group, 2022). The presence of digital connections between insurance agencies, road traffic authorities, accident-inspection services, and repair shops enhanced policy verification and claims settlement as well (Saudi Central Bank, 2021).

Digitalization enhanced quicker service provision and expanded market reach (Middle East Insurance Review, 2025). Nevertheless, it also raised issues about cybersecurity and personal-data protection, automated decisions, and the possibility of consumers to comprehend the terms of the policies when acquiring online coverage (Deloitte, 2023).

Recent Insurance-Sector Reforms

New reforms have been directed on enhancing governance, financial reporting, actuary, competition, innovation and consumer protection (Saudi Central Bank, 2021). There has been more focus on the financial sustainability of insurance firms and how they can fulfil their long-term commitments (Oxford Business Group, 2022).

The formation of a specialized Insurance Authority was a significant institutional change (Asharq Al-Awsat, 2024). Specific supervision is supposed to control and mature the industry, safeguard policyholders and beneficiaries, enhance market stability, and promote investment and innovation (Saudi Central Bank, 2021). Recent reforms contribute to the emergence of new products, digital insurance services, more rigorous standards of claims, and increased awareness among the population, as well (Amuda and Alabdulrahman, 2023).

In general, insurance in Saudi Arabia has evolved through a small and unregulated presence to a structured, collaborative, and even more digitized financial industry (Oxford Business Group, 2022). The introduction of compulsory health and motor insurance increased the involvement of the population, and an increase in regulatory frameworks enhanced the structure of the market and consumer rights (Saudi Central Bank, 2021). The evolution offers a valuable background to explore whether heightened utilization of motor insurance has led to greater trust, awareness, and true consumer acceptance as well (Almulhim et al., 2024).

References

- Abdulrahim, K. E. (2011). Opportunities, challenges and means of development of cooperative insurance market in the Kingdom of Saudi Arabia in the post era of joining World Trade Organization. *Arab Journal of Administrative Sciences*, 18(1), 51–85. <https://doi.org/10.34120/ajas.v18i1.783>
- Abdur Rehman, M., Khan, S., Osman, I., Aziz, K., & Shams, G. (2021). Revisiting the corporate image through service quality and relationship marketing: an empirical evidence from Malaysian and Saudi Arabian Takaful customers. *Journal of Islamic Accounting and Business Research*, 12(6), 849-871. <https://doi.org/10.1108/JIABR-05-2020-0140>
- Abouzaid, M. (2021). *Takaful and Islamic Insurance: Concepts, Issues, and Development*. Islamic Development Bank Institute.
- Almadina Takaful. (n.d.). FAQ on Takaful. <https://almadinatakaful.om/about-takaful/about-takaful>
- Almulhim, T., Al-Mahish, M., & Alabdulqader, M. (2024). Eliciting customers' preferences in the cooperative insurance industry: Evidence from the Saudi Amuda, Y. J., & Alabdulrahman, S. (2023). Reinforcing policy and legal framework for Islamic insurance in Islamic finance: towards achieving Saudi Arabia Vision 2030. *International Journal of Law and Management*, 65(6), 600-613. <https://doi.org/10.1108/IJLMA-03-2023-0045>
- Arab News. (2021, August 20). Auto insurance is taken as luxury by most Saudis, says Najm Insurance CEO. *Arab News*. <https://www.arabnews.com/node/1914351/business-economy>
- Arkell, J. (2011). Insurance and international trade. In *Handbook of Insurance* (cited in Almulhim et al., 2024).
- Asharq Al-Awsat. (2024, August 19). Motor insurance revenues in Saudi Arabia grow by 38% in 2023. *Asharq Al-Awsat*. <https://english.aawsat.com/business/5052096-motor-insurance-revenues-saudi-arabia-grow-38-2023>
- Bhatti, T., & Shoaib, O. (2025). A comparative analysis of the selection of conventional and takaful models: An insurance industry study. *Corporate Ownership & Control*, 22(2), 109–119. <https://doi.org/10.22495/cocv22i2art10>
- Billah, M. M. (2021). *Islamic Insurance Products: Exploring Takaful Principles, Structures and Instruments*. Palgrave Macmillan. <https://doi.org/10.1007/978-3-030-74282-9>
- BJAK. (2025). Takaful Malaysia vs conventional insurance: The difference? <https://bjak.my/blog/car-insurance/what-is-takaful-malaysia-and-how-does-it-differ-from-conventional-insurance>

- Central Bank of UAE. (2024). Standard Re Annual Shari'ah Report of Internal Shari'ah Supervision Committee for Takaful Insurance Companies. <https://rulebook.centralbank.ae>
- Cooperative Insurance Companies Control Law. (2003). Royal Decree No. M/32. Kingdom of Saudi Arabia.
- Deloitte. (2023). *2023 Insurance Industry Outlook*. Deloitte Insights. <https://www2.deloitte.com>
- Financial Sector Development Program. (2021). *Saudi Vision 2030*. Kingdom of Saudi Arabia. <https://www.vision2030.gov.sa>
- Hassan, R., et al. (2021). Let's get acquainted: an empirical study on takaful customer-service provider relationships from Saudi Arabian perspectives. *Journal of Islamic Marketing*, 13(11), 2209-2231. <https://doi.org/10.1108/JIMA-01-2020-0016>
- Hussain, F. N. (2018). *An assessment of customer's preferences on the selection of Takaful over conventional insurance: A case of Saudi Arabia* [Master's thesis, International Islamic University Malaysia]. IIUM Repository.
- IIFM (International Islamic Financial Market). (2022). *Standard on Takaful (Islamic Insurance)*. <https://www.iifm.net>
- Khorshid, A. (2022). *Islamic Insurance: A Modern Approach to Islamic Banking and Finance*. Springer.
- Middle East Insurance Review. (2025, October). Saudi insurance industry poised for accelerated growth. *Middle East Insurance Review*. <https://www.meinsurancereview.com>
- Osman, I., Abdur Rehman, M., Mohy Ul Din, S., Shams, G., & Aziz, K. (2021). Let's get acquainted: an empirical study on takaful customer-service provider relationships from Saudi Arabian perspectives. *Journal of Islamic Marketing*, *13*(11), 2209–2231. <https://doi.org/10.1108/JIMA-06-2020-0175>
- Oxford Business Group. (2015). After a tough year, Saudi Arabia's insurance industry has bounced back strongly. *Saudi Arabia 2015 Report*. Oxford Business Group.
- Oxford Business Group. (2022). Digitalisation modernising Saudi Arabia's insurance market. *Saudi Arabia 2022 Report*. Oxford Business Group. <https://oxfordbusinessgroup.com/reports/saudi-arabia/2022-report/banking/clear-vision-by-targeting-consolidation-and-digitalisation-opportunities-the-kingdom-positions-itself-for-a-period-of-modernisation/>
- Prudential. (n.d.). How is Takaful different from other insurance? <https://www.prudentialplc.com/en/newsroom/insights/how-is-takaful-different-from-other-insurance>
- Qur'an, Surah Al-Ma'idah (5:2).

- Rejda, G. E., & McNamara, M. J. (2021). *Principles of Risk Management and Insurance* (14th ed.). Pearson Education.
- Saudi Central Bank (SAMA). (2021, January 24). SAMA eyes raising insurance contribution to GDP, boosting individual savings. *Argaam*. <https://www.argaam.com/en/article/articledetail/id/1437770>
- Saudipedia. (2023). Cooperative Insurance Companies Control Law in Saudi Arabia. <https://saudipedia.com/en/cooperative-insurance-companies-control-law-in-saudi-arabia>
- Vaughan, E. J., & Vaughan, T. M. (2008). *Fundamentals of Risk and Insurance* (10th ed.). John Wiley & Sons.
- Vision 2030. (2016). *Saudi Vision 2030*. Kingdom of Saudi Arabia. <https://www.vision2030.gov.sa>