

# FATAWA ON INSURANCE

## I. IS INSURANCE PERMISSIBLE? LIFE, CAR, HEALTH, PROPERTY, HAZARDS, SHIPPING, ETC.

SUBJECT: Is insurance permissible?

To: [islam-online.net](http://islam-online.net)

Date: 7/9/00

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

In the circles of contemporary Shari'ah scholars, there are three opinions about Life insurance, and for that matter all types of insurance too. They all recognize that it is a new contract not known in the history of Fiqh. A minority considers it Haram and it recruits all kinds of argument against it including Riba, gambling, Gharar and speculation on the will of Allah. This view does not carry much weight.

The second view is that it contains Gharar because no one knows whether the liability of the insurer (the company) will ever materialize nor when it will, if ever. This is a serious Gharar that lead to a major defect in the contract. It is therefore forbidden, (more to come on this opinion).

The third opinion is presented by the late Shaikh Mustafa al Zarka, until his death last July he was the uncontested most knowledgeable Shari'ah scholar. He argued that the Gharar in the contract is remedied by the fact that it is a contract based on overwhelming statistical knowledge and the application of the theory of probability. With this in mind there is no Gharar on the part of the insurer. And the contract is permissible with 2 conditions that it contains no Riba clause and that its subject (insured thing) be legitimate. These 2 conditions rule out regular fixed - return life insurance because the value of the policy is the outcome of investment premiums at a compounded rate of interest, (while variable - return life is permissible if the funds are invested in Shari'ah approved stocks or mutual funds). They also rule out insuring a prohibited activity such as casinos or legs of belly dancers.

The advocates of the second opinion argue that the Gharar problem applies only in exchange contracts. If the contract is modified and restructure on the basis of cooperation or mutuality, where there will be an association of the insured instead of a profit motivated insurer company, the Gharar is then tolerated. This is so because the relation between the association and its members become based on contribution (Tabarru') rather than exchange and a Tabarru' can accommodate certain conditions ( i.e., that the

association compensate in case a hazardous event happens) . On the basis of this all the "Islamic insurance companies" were established. In this regards al Zarka adds that if a mutual or cooperative insurance exists he prefers it to profit motivated insurance out of his respect to the opinion of opponents.

There is an old argument (from the 1950s), even by those who oppose insurance, that whenever insurance is forced by law, one must do it and one is excused, from Shari'ah point of view. This includes car insurance, social security, workman compensation, and employer's imposed insurance if it is not optional for the employee.

to this I add another element that if the insurance provided by the employer is paid completely from the employer, i.e., given as a fringe benefit without deducting any part of the premium from the pay checks, then it is a kind of grant from the employer and if a hazard happens the paid policy amount is Halal because the it is an outcome of the grant. Now think for yourself: if your life insurance is only term life, you may apply the opinion of Shaikh Zarka, and if it is imposed by employer, you also have room to accommodate, and if it is a grant from employer it is also tolerated. Otherwise you need to see the specifics of the contract you have and determine, in the light of the above briefing, whether you keep or seek to withdraw from it

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Is Insurance Permissible and under what conditions?

Date: 12/8/00  
To: dialogue@islam-online.net

My brief answer:  
Dear Sister Nuzhat  
As Salamu Alaikum,  
You asked about insurance and interest.

Al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah,  
1- There are two main opinions about insurance: a- the majority's opinion: insurance run by profit-making companies is not permitted because its exchange contract involves great deal of Gharar. Gharar is ignorance or ambiguity. It applies in the contract to the commitment of the insurance company, both the amount and its due date. However, it is not sinful to undertake any insurance that is required by law or by employer's system. The solution is to create a insurance Islamic cooperative (mutual). Or participate in one that exists. In a cooperative you pay a premium as a contribution to the insurance pool of funds and if any thing is left it will distributed back to the members (contributors) and if the pool wasn't sufficient they go back to members for the deficit, usually in the form of an increase of next period's contribution. The Gharar in this arrangement is still there, but the condition of avoidance of Gharar is relaxed in cooperative/contributory entities that

are based on some kind of membership relationship while it is a must in exchange contracts.

2- The minority's opinion is that insurance contracted with a profit making is permissible on the ground that this Gharar is only apparent not real because the relationship is in reality based on the statistical laws of probability that only applies to large number and when you look at it from this angle it is a form of cooperation created by an entrepreneur, venture taker, who put together the premiums of the policy holders in an insurance pool of fund. The function of this entrepreneur is new, legitimate and beneficial and she deserves compensation in term of profit (or loss if she didn't do it right or did it at the wrong time, etc.).

In both views the insured thing must be permissible (Halal) e.g., it is forbidden to insure a shipment of alcoholic beverages and the transaction must not involve any interest as interest is prohibited too, e.g., a fixed-amount life insurance includes interest which is compound and it accrues on the investment part of the premium for the duration of the policy.

3- Interest that is practiced in banks here in America and in many conventional financial contracts is the same as Riba that is mentioned in the Qur'an, it is strongly prohibited with a declaration of war by the Almighty Allah and His messenger (Surah 2 Verse 279). Muslims must avoid interest in their transactions wherever they live, in America or in the Middle East.

Wa Allahu A'lam,  
Monzer Kahf

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SUBJECT: Insurance of personal belongings

Date: 1/16/2001

To: [scitech@islam-online.net](mailto:scitech@islam-online.net)

Name of Questioner: Gale

Gender: Female

Age

Education

Date Submitted: 12/7/2000

User Ref. No: K2NUJU

Question

Can I insure my belongings? I rent a townhouse and in the past I have been robbed.

My Answer

Dear Sister Gale:

Assalamu Alaikum,

Al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah.

I really believe that the opinion of the late Shaikh Mustafa al Zarka is excellently respectable, useful and consistent with the basic rules of Usul al Fiqh and the objectives of Shari'ah. In brief, his opinion can be summarized in the following:

The insurance contract is a new and useful one, it came about as a result of new technological inventions and new economic relationships that resulted in having a large number of people having similar protection needs, it does not violate any of the established rules of Shari'ah, it has precedents in known contracts in Shari'ah and the

ambiguity that appears in it is only because we look at it in isolation of the circumstances of its reason d'être, the large number and applications of probability theory.

If the contract does not involve any other prohibition it must be permissible. Examples of other prohibitions are: an interest clause or its subject being forbidden (e.g., transportation of alcoholic beverages).

CONSEQUENTLY: KEEPING THE ABOVE IN MIND, IT IS PERMISSIBLE TO INSURE HOUSES, CARS, BELONGINGS, ETC.

Wa Allahu A'lam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Is life insurance permissible?

From: dialogue@islam-online.net

Date: 2/14/2001

Name of Questioner agil

Gender Male

Age 31-45

Education Diploma

Date Submitted 1/4/2001

User Ref. No. 9ZLYXW

#### Question

Assalamu Alaikum warahmat Allah wa barakatuhu wa ba'ad, first question: Life insurance Policy is Halal (allowed) or Haram in Islam? Second question : Is Progress Payment Financing (??) prohibited or allowed? jazakumullahu Khairan, agil

#### Notes

ps.: progress payment financing means I have a bill with delayed schedule of payment. I bring this bill to the bank to get cash in advance with a little reduction or discount on the amount of the bill. Thanks

#### My Answer:

Dear Br. Agil

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

1- Life insurance policies provided by Islamic life insurance companies are Halal.  
2- Insurance, all: life and other kinds, are not permissible according to a group of Ulama mainly because they are based on Gharar. Gharar here is the unknowing of the number of premiums one has to pay because one does not know when one is going to die, and unknowing the date of payment of the insurance benefit (for the life insurance) and the amount for others (health, hazards and accidents). According to this group such Gharar becomes forsaken if the contract is based on cooperation and Tabarru' (you give the premium to a cooperative and it compensates those who are hurt).

The late Shaikh Zarka believed that insurance is a new contract that has certain similarity to known contracts in the Fiqh traditions. It is permissible if it avoids the known prohibitions: it must be void of Riba and the insured must be permissible (insuring a shipment of wine is not permissible).

3 - Hence, applying the view of Zarka, which I tend to accept, implies that term life insurance and variable whole life must be permissible if you avoid investment in prohibited stocks (for the Variable life).

4- Progress Payment Financing: I need more details, I am not clear about it.

5- Discounting commercial and other debts of future maturity is forbidden. It is the same Riba but going backward instead of forward. There is a resolution by the OIC Fiqh Academy on this prohibition.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Employment insurance

From: [dialogue@islam-online.net](mailto:dialogue@islam-online.net)  
Date: 3/2/2001

Question

Is insurance of job allowed?

Notes: Assalamu Alaykum, I'm an expatriate working in UAE. Some of the insurance companies here, have recently introduced Insurance schemes covering the loss of job. There are continuous uncertainties in my profession. However, I have not taken this Insurance cover because I'm afraid the security provided by this insurance, in principle goes against the efforts in seeking Allah (SWT)'s protection of my career. I have just seen the Fatwa delivered in this site saying insurance cover for one's properties is not Haram. What is your ruling on this employment insurance?

My Answer:

Dear Br./Sr.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Once we accept the opinion of the Late Shaikh al Zarka on insurance (and I do), that insurance is permissible as long as we avoid Riba and insuring any forbidden thing, job insurance falls within the limit of Halal whether it is managed by a state agency like the social security in America or by private, profit seeking companies, of course if the job itself is permissible.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Insurance for Muslims in the United States

From: [dialogue@islam-online.net](mailto:dialogue@islam-online.net)

Date: 3/3/2001

Name of Questioner Daud

Gender Male

Age 31-45

Education Graduate

Date Submitted 2/7/2001

User Ref. No. FCH2L3

Question:

Assalamu Alaykum WRWB, What are the rulings regarding insurance? In the US, auto insurance is mandatory, but many of us have life, medical and dental insurance also. Jazakullah for any advice you can offer.

My Answer:

Dear Br. Daud

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Insurance is a new contract that was developed in the West over several centuries. It started with Marine insurance that insures shipped mechanizes from one port to another against all marine hazards. It was extended to other areas with time. Insurance contract is usually between an insurer (the company) and an owner (of the policy), and the subject of the insurance may be maritime hazards, other accidents such as fire and natural hazards, health, income (usually from jobs) of life of the owner of the policy or any other person. Insurance relationships depend on the probability theory, without which it was impossible to develop the insurance relationships. This means it depends on a large number of insured things, large to the extent that you can calculate the probability or frequency of occurrence of the insured incidence. In plain terms an insurance contract is one between an insurer and an owner whereby the owner pays known amount(s), called premium, as a lump sum or on intervals and the insurer pledges to pay a given amount if some incidence takes place.

In these plain terms either of the two parties to the contract with the exception of a lump sum payment of premium, does not exactly know his obligations and rights because all that depends on the unknown occurrence of a well-defined incidence. In other words, you don't know for how many month you are going to pay premiums on a car insurance since an accident may happen at any time during the period of the contract and the car may be totaled, and the insurer doesn't know when and how much his obligation is because all depends on the date an accident happens, if at all, and on the extent of the damage.

On the other hand, contracts known to our respected Fuqaha are those that were developed over a period of almost three centuries of the Glories of the Islamic civilization, between the first and fourth centuries of Hijrah. After that period we were almost always chewing on our past grandiose achievements. The insurance contract came new to the Muslim land and our Ulama had to deal with it in the light of what we have. There are two contracts developed during those centuries that carry certain ambiguity that may resemble that which is in the insurance contract: Road Security Contract and Guarding Contract. In the road Security Contract one guarantees to compensate another for road hazards (of caravans), and in the Guarding contract one guarantees to provide peace of mind to the other. Yet the first contract is based on Pure voluntary contribution from the guarantor without any premium on the part of the guaranteed, while in the guarding contract the guard does not guarantee any loss, he only provide his time.

The dilemma with the insurance contract, in the mind of Fuqaha is two folds: 1) you really are exchanging money paid now (premium) for money paid later (compensation or cost of repair); and 2) the great deal of ambiguity that envelops the amount and date of the obligation of the insurer.

The position of contemporary Fuqaha on Insurance: there are four opinions.

1- A small minority, all of them are ninth and tenth level, on a scale of one to ten where one is the best in their knowledge and depth, that since an incidence comes as a will of Allah, an insurance contract gambles on the Will of Allah, it is therefore forbidden. This opinion is discarded because it is based on misunderstanding. The insurance contract does not prevent hazards and incidences, it rather deals with their financial results.

2- A small minority argues that since it involves Riba and Ambiguity (Gharar) it is forbidden and there is no remedy for it. When it is obligatory by law, you have to take it reluctantly, out of being required though it is Haram, and you are InShaAllah not sinful because you did not take it by choice.

3- The Majority does not find in the contract any Riba per se and does not like its ambiguity (Gharar). They argue that the Gharar is too much to tolerate. The remedy they offer is to adjust the contract and make it based on mutual cooperation (Ta'awun) and voluntary contribution (Tabarru'). Establish a cooperative for one or all kinds of insurance and make all members (policy owners) give a voluntary contribution to the cooperative with the condition that if the insured incidence happened, the cooperative shall compensate.... They further argue that it is true the ambiguity is still there even in the cooperative, but ambiguity (even big one) is tolerated in Tabarru' contracts while it is not tolerated in exchange contracts.

On the basis of this opinion several Islamic insurance companies were set up by Islamic banks and other concerned Muslims. But because existing laws in the Muslim countries do not permit establishing cooperatives for insurance and require that an insurance company must have certain minimum capital, they made a company that creates a cooperative fund for insurance and invest its capital with the founding Islamic Bank, i.e., in reality returns its capital to the founders.

4- The late Shaikh Mustafa al Zarka argues, essentially on the basis of general rules and the objectives of Shari'ah that this is a new and useful contract and it must therefore be permissible. He refutes the claims of Riba and Gharar by indicating the contract between the two parties must be looked at in the light of the laws of probability and large numbers that in reality preserve the idea of cooperation of the insured; and he brings in the resemblance to the Road Security and the Guarding contracts, he further argues that the conditional Tabarru' is really an exchange and you better face it directly, so what is wrong in some entrepreneur taking it as a business to bring those insured together to a form of cooperation the entrepreneur makes. This means that according to Zarka not only cooperative/Tabarru' based insurance is permissible but also an insurance contract offered by a company that seeks to make profit is also permissible. He puts two conditions for the permissibility of an insurance contract: a) it must have no Riba involved in it; and b) the insured thing must be permissible, i.e., you may not insure a shipment of pork.

This means that

1-Life insurance and other insurance policies offered by Islamic insurance companies are Halal.

2- Insurance of all kinds, life and others: are not permissible according to a group of Ulama mainly because they are based on Gharar. Such Gharar becomes forsaken if the contract is based on cooperation and Tabarru' ( you give the premium to a cooperative and it compensates those who are hurt).

3 - The late Shaikh Zarka believed that insurance is a new contract that must be permissible.

4 - Hence, applying the view of Zarka implies that term life insurance and variable whole life must be permissible if you avoid investment in prohibited stocks (for the Variable life). So are other kinds of insurance. On the other hand fixed-value life insurance is not permissible because its value is the result of placing the investment part of the premium at the guaranteed interest rate.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Is health insurance permissible?

From: dialogue@islam-online

Date: 8/7/2001

Name of Questioner Deena

Gender

Age

Education

Date Submitted 7/6/2001

country of Origin

User Ref. No. 4ACC26

country of Residence

Question:

I always heard that having life insurance is Haram. My questions is, is health insurance Haram too?

My Answer:

Dear Sr. Deena

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

What you've heard always is not accurate

there are three opinions about insurance, no difference between life, health, accidents, and transportation.

One: it is All Haram, because it involves gambling, Riba and Gharar (ignorance and/or uncertainty about the existence of an obligation in an exchange contract).

Two: It only has a great deal of Gharar, hence it is forbidden. If it can be reformulated on the basis of mutual, reciprocal or cooperative company and the premium is then given as contribution (donation or Tabarru'), with a condition of reciprocity, Insurance can then be permissible, because Gharar is permissible in contributory relations not in exchange relations. On this basis what is called Islamic insurance companies were founded in some Muslim countries.

Three: it is permissible provided the contract does not have any other reason for considering it Haram. Such reason may be an interest clause or the object of the insurance may be forbidden like a shipment of spirits.

I go along with the third opinion whose champion is the late Shaikh Mustafa al Zarka.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Is Comprehensive Car insurance permissible?

From: Islam on line

Date: 12/18/2001

Name of Questioner

Gender

Age

Education

Date Submitted 12/8/2001

country of Origin

country of Residence

Question

Can we have car insurance for all the risks, or just the obligatory car insurance?

My Answer:

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Insurance service and contracts were invented and developed over the last four centuries in Europe, then extended to the Americas. They reached the Muslim World in the Nineteen century c.e. Obviously they were not known at the time of revelation of Shari'ah nor at the time of the great scholars who founded the known Fiqh Schools.

Over the last more than a hundred years, Muslim scholars looked at insurance as a new service that accompanies new risks intrinsic to technological applications, and as a contract. Two points of view have developed: One that studies insurance within the context of its environment, i.e., the presence of a large number of persons exposed to similar risks that calls for the application of the theory of probability and what is called the laws of large numbers; and the other looks at insurance as only a specific relationship between two parties regardless of its environment.

The first trend was lead by the late Shaikh Mustafa al Zarka. He argued that, as a new service and contract, insurance groups together the risks of a large number of persons and redistribute them in a manner that makes them bearable. This is a form of healthy cooperation that is compatible with the Universal Objectives of Shari'ah and whence the theory of probability is taken into consideration, the insurance contract does not contain any unbearable amount of ambiguity or undue uncertainty (Gharar). ACCORDING TO THIS VIEW ALL KINDS OF INSURANCE CONTRACTS (CARS, HAZARDS, ACCIDENTS, TRANSPORTATION, LIFE, ETC.) ARE PERMISSIBLE PROVIDED TWO CONDITIONS ARE FULFILLED: 1- the contract must not contain any Riba (interest) element, and 2- the object of insurance must be permissible in Shari'ah (i.e.,

insuring a shipment of liquor is not permissible). It doesn't matter whether this cooperation is founded by a group of concerned persons in the form of cooperatives or by a venturer person or company that takes charge of offering the service of pooling together the risks of a large number of persons. Consequently, car insurance is permissible for the obligatory liability as well as for the value of the car and the hazards to driver and passengers and every other insurance coverage related to cars and driving them.

According to the other view, any conventional insurance contract between two persons contains elements of Riba, ambiguity, and Gharar. Riba is because you pay a usually small premium and get back a large sum should a risk happens, Gharar because you don't know whether you will get the large sum or not since you don't know whether a hazard will happen, and ambiguity because you don't know the exact amount you get (though you know the maximum only) nor when it is going to be given to you since you don't know when an accident will happen. THIS GROUP OF SCHOLARS ARGUES THAT THESE OBJECTIONS MAY BE OVERRIDDEN WHEN THE SERVICE OF INSURANCE IS OFFERED ON DONATION BASIS THROUGH COOPERATIVES BECAUSE IF YOU GIVE THE PREMIUM AS A DONATION OBJECTIONS OF RIBA, AMBIGUITY AND GHARAR DO NOT APPLY BECAUSE DONATIONS ARE NOT EXCHANGE CONTRACTS. AND IT DOESN'T HURT IF SUCH DONATIONS ARE GIVEN TO A COOPERATIVE WHOSE SYSTEM IS TO COVER THESE RISKS EVEN WITH THE FACT THAT YOU REALLY KNOW THIS COVERAGE IN ADVANCE AND YOU GIVE THE DONATION WITH THE CONDITION THAT SUCH A COVERAGE EXISTS.

According to this view only mutual (cooperative insurance is permitted, the same two conditions mentioned in the first opinion apply here too. Hence, any insurance outside cooperatives is not permitted, and when you are required by law to take it you only take the part you don't have any choice about it.

In my opinion, there are too much artificialities in the second view and I go along with the first opinion, that all insurance is permissible provided the two conditions are observed.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Life insurance

From: Islam on line writes:

Date: 2/11/2002

Name of Questioner: osamah

Gender: Male Age: 15-20

Education Diploma

Date Submitted: 1/17/2002

country of Origin Canada

User Ref. No. LKV4K1

country of Residence U S A

Question

Dear Shaikh Assalamu Alaikum Wa Rahmatullah Wa Barakatuh In fact I just started working at a Financial company and a lot of things came to my concern, but mainly two

things and they are as follow: 1. Is life insurance Halal or not? If no but what is there to replace it? 2. Is RESP(Registered Education Savings Plan) Halal? Because a lot of people here in North America have problems paying for their education and they have no other choice than taking RESP or take loan for their college which they will have to pay interest on it? But the question is the RESP companies invest the money that is given to them by the people who buy RESP's in something called BONDS, so is it Halal or not. I appreciate your work brothers and I know you guys do a lot of Fatawa but if you would please put this one of your prior ones. Jazakumu Allah Khair Wassalam Alaikum Wa Rahmatullah Wa Barakatuh

My Answer:

Dear Br. osamah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Notice, Dear Brother, that both questions are about issues that are relatively new, that you are not going to find a Verse or a Hadith about them.

1) Life insurance has no substitute in classical Islamic Fiqh. When our classical Fiqh was developed life was much less complicated than it is in our days. They didn't need such a contract and they didn't make it. Sale is true for the registered education saving plan. Contemporary Fuqaha discussed life insurance in the light of the principles of Shari'ah (that are obviously derived from the Qur'an and the Sunnah). A life insurance contract triggers three issues known in Shari'ah: Riba, gambling and Gharar.

Any contract based on Riba is forbidden in Shari'ah. Riba as you know is one of the most resentful sins in Islam and it is clearly prohibited in verses 275-279 of Surah II. Riba is pivotal in fixed life insurance policies, because the value of the policy is derived from the accumulation of interest over the invested part of premiums over the duration of the contract. But there are life insurance contracts that do not have this element such as variable equity life insurance and term life contract.

Gharar (that is prohibited in several Ahadith and its avoidance is a corner stone of business contracts in Shari'ah, it means ambiguity in any of the mutual) is in the lack of knowledge of the date payment of the policy value by the company, i.e., the date of death and this may result in unknown number of premiums in certain contracts.

The Gambling factor comes in the risk. Risk in life insurance creates a gambling type of exchange. At the time of contract the company gamble on getting only one premium and having to pay the policy amount any time if death happens, and the policy holder pays one payment and get, by risk chance, a large lump-sum.

The late Shaikh Mustafa al Zarka argued that the amount of risk in life insurance is not as big as it is in gambling, this makes it tolerable, especially that the life insurance contract is useful and provides real service in the contemporary living conditions all over the world, and that the Shari'ah had recognized certain risk management contract, that were part of the life conditions in the part, why not recognizing this too? He also argued that the Gharar element is also tolerable because it is addressed through the theory of probability (large number effect). Most Fuqaha agree with him on the issue of gambling, but only few (though brilliant)! Go along on the issue of Gharar.

Zarka's opinion is that if an insurance contract does not contain interest and its subject is permitted, it must be then accepted from Shari'ah point of view. This applies on all kinds of insurance including life. It means that fixed value life insurance is not permitted because it is interest-based. Term life and any form of variable equity in which premiums are invested in permissible stocks and mutual funds are permissible.

Those who consider the Gharar element detrimental to this contract provide an alternative through Mutual/cooperative insurance. Mutual insurance is not profit making it is like a cooperative pool of funds that helps members who are hit by the insured incidence. Those Fuqaha argue that Gharar is not wiped out in cooperative insurance, in fact it is still there, but the spirit of cooperation overweighs it since cooperation is founded on contributory basis (Tabarru') and Gharar is tolerated in contributions.

2) If funds in SESP are invested in bonds it is Haram since Bonds are interest-generating loans. If funds are invested in permissible stocks and/or mutual funds, the SESP becomes permissible.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Free Life insurance as an employment fringe benefit

Date: 2/16/2002

From: Islam on line writes:

Name of Questioner	Khaldoon	Gender	Male	Age	21-30
Education	Graduate	Date Submitted	1/29/2002	country of Origin	
User Ref. No.	J97PA4	country of Residence	USA		

Question:

I Live in the US. My employer gives me life insurance without a fee (as an added benefit). Do I have to follow Islamic laws of inheritance when I figure out the beneficiaries of the policy?

My Answer:

Dear Br. Khaldoon

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

There are two opinions on this matter; both of them have strong arguments:

1- The benefits of an insurance policy are not owned by you. They only become due upon the demise of the insured, especially in the kind of life insurance given with employment package, that is usually term life insurance (in some regular life insurance policies, there is a value of the policy before death. that values is normally owned by either the insured or the person who purchased the policy. This value, if owned by the insured, must go as regular inheritance and be distributed accordingly).

Accordingly the beneficiary you assign shall become the first owner of the benefit when the insurance company owes it. There is no inheritance here as you see.

2- The second opinion derives from a Hadith about blood money. a woman was accidentally killed by another woman, the Diyyah (blood money) was ordered distributed by the Prophet, pbuh, in accordance to inheritance rules. The Fuqaha who opt for this opinion argue that here is an example of money not owned by the deceased yet distributed as inheritance. (The reply of opponents: this is an exception of the principle of ownership, and you cannot extend exceptions by analogy. If I were you, I would appoint a beneficiary who is most deserving, such as wife and children, especially if young, or mother who depends on my support, etc.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Life insurance and educational insurance

From: Islam on Line  
Sent: February 27, 2002  
Name of Questioner A. S.                      Gender Female                      Age 31-45  
Education Diploma                      Date Submitted 2/1/2002  
country of Origin UAE                      User Ref. No. Y4IM8T                      country of Res. Kenya

#### Question

Assalamu Alaikum Wa Rahmatullah Allah Wa Barakatuh!!! My question is on Insurance. Would you please advise if insurance is acceptable? We have currently life insurances as well as Educational Insurance for our daughter. Additional to that, we have gone under a Pension Plan Scheme which is compulsory through our offices and I am participating in the Stock Purchase Scheme within the company from long time back. I am working in an Oil related company. I'd also appreciate if you can advise as what would be the most appropriate way to invest your money in the Islamic way I'd appreciate if you can let me know on all the above points step by step through my e-mail address.

#### Notes

I'd prefer that my name and e-mail address is not published on the web.

#### My Answer:

In the Name of Allah the Most compassion the Most Merciful  
May All Praise and Thanks be to God, the Almighty, The Lord of the Worlds and Peace and Prayers be on His Messenger the Prophet Muhammad and all his Companions and Followers

Dear Sr. A. S.

Assalamu Alaykum Wa Rahmatullahi Wa Barakatuh

Please look at the answer given to Br. Daud above and I add here:

For the Education Insurance for your daughter, you need to check if it is interest based, and most such insurances are, if so you may have to consider changing it.

I can't advice on investments it is a matter of opportunities and availability, the guidelines is to avoid interest transactions and any company that is heavily in the area of interest or any other Haram products or services.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Monzer Kahf

-----  
SUBJECT: Are medical and long term care insurances permissible?

From: Islam on Line  
Sent: March 21, 2002  
Name of Questioner Jamal                      Gender Male                      Age Above 60  
Education Graduate                      Date Submitted 3/4/2002                      Email  
country of Origin United States                      User Ref. No. 4NFSCL                      country of Resi. USA

Question

Is it Halal to purchase medical insurance and Long Term Care insurance? If not, how do we deal with these potential severe financial events?

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in  
Dear Br. Jamal  
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.  
Please read the Fatwa given on 12/18/2001; the same applies to medical and long term insurance as well as other kinds of insurance.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Mutual or Cooperative Insurance

From: Islam on line  
Sent: April 14, 2002  
Name of Questioner Abdulla                      Gender                      Age  
Education                      Date Submitted 4/8/2002                      Email  
country of Origin India                      User Ref. No.QP1XAL                      country of res. India

Question

What is the rule of Islam about taking shares of companies and organizations like ICCI. Please shed a light on my question. May Allah assemble us in his Jannatul-Firdaus. What

is the Shari'ah rule about taking insurance? We need to take this type of savings to get relief from tax. Please reply for this too.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Abdulla

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1- You will need to explain what is ICCI. Until then my answer about it is I don't know...

2- It is permissible to buy shares of companies whose activities are permissible and

whose management does not undertake any prohibited contracts, such as Riba, etc.

Companies that may indulge in Riba and other prohibited contracts while their products/

services are permissible are disputed. Some Ulama argue that while the principle is that

owning their shares is forbidden because what the management does is done in the name

and on behalf of shareholders, such a prohibition cause hardship to individual Muslims

especially those like you who live as Minorities in their countries. Those Ulama call for

relaxation based on the Shari'ah principle that hardship always should be removed. They

design a few criteria that seem reasonable, you can find these criteria in the web of the

Islamic market Dow Jones.

3- Cooperative/ mutual insurance is permissible provided premiums are paid on

contributory basis. Insurance offered by profit seeking companies is considered, by a

large group of Ulama, as containing Gharar (ambiguity regarding the number of

premiums and date due of compensation. Other Ulama find insurance offered by

commercial companies permissible on the ground that once we look at the large number

and the theory of probability the Gharar becomes much smaller than thought of, and

consequently tolerable in Shari'ah. I subscribe to the latter view. There are two conditions

here: 1) the insurance contract must not contain any Riba element such as an investment

clause at fixed interest and 2) the object of insurance must be permissible, e.g., one

cannot insure a wine shipment.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Accident Insurance offered by credit cards

From: Islam on line

Sent: Tuesday, April 16, 2002

Name of Questioner Ossama

Gender Male

Age 31-45

Education Post Graduate

Date Submitted 3/25/2002

Email

country of Origin Egypt

User ref. No. 8HSAUV

country of Res. Egypt

Question

Dear Sirs, I'm asking about insurance, because I have a credit card, they but extra fees on my account as an insurance against accidents. I can cancel this service but I want to know is this insurance right or wrong??? Please advise me about this matter to go on or to cancel this service. Thanks for your cooperation Yours Ossama

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Ossama

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Many scholars believe that commercially run insurance (this applies to this accident insurance of the credit card) is not permissible because it includes a great deal of Gharar (ambiguity with regard to whether the amount of the insurance policy will ever be paid, its date of payment if it will be paid and for how long the payment of premium will continue). They suggest that an alternative based on mutuality or cooperation may be permissible if premiums are paid to the cooperative on donation basis (Tabarru').

Several other scholars argue that the amount of Gharar is tolerable because insurance is a contract based on probability. And those believe that commercial insurance is also permissible. I support this view.

By the way, accidental insurance offered by credit cards is usually a lot more expensive than what you can get from other insurance companies!

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Comprehensive or liability only car insurance?

From: Islam on line

Sent: April 18, 2002

Name of Questioner

Gender Male

Age 21-30

Education Graduate

Date Submitted 4/5/2002

Email

country of Origin United Kingdom User Ref. No. 7ZVXYV country of Res. U K

Question

AsSalaamu alaikum. The ruling that i have heard concerning taking car insurance is that it is not in general permissible. However in lands such as mine where driving without insurance will lead to prosecution and license suspensions I have heard that in this case it falls under the rulings of necessity. However, one should not go to excess and should strive to find the cheapest such as taking "third party fire and theft" which is the minimum to legally drive instead of "fully comprehensive." My question is that when making this payment i found that companies offer a one year insurance which i find unaffordable in a single payment. They then say you can pay for it in installments if you

wish, however the total of the installments amounts to more than the yearly amount quoted. When i asked is this excess amount interest they reply "yes". I did further research and found that a small amount of companies offer a three month contract which you pay for in full and is affordable to me. However i found that four three month contracts totals more than a one year contract paid by installments. Therefore, please inform me which is the lesser of evil, to pay more in total (i.e. per year) through regularly buying a three month contract or to buy a one year contract and pay for it by installments. The latter option technically means that less money is being spent on this Munkar however it means falling into both insurance and interest?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1-Insurance is not Haram. Insurance is controversial, some say it is Haram and others believe it is permissible. I personally go along with the permissibility as long as the contract does not include an interest clause. According to this second view you can take any car insurance, not only the third party. Even those who consider it not permissible but take exception when you live in countries that enforce it on all car owners do not suggest that you put your life in jeopardy if an accident happens and you don't have sufficient insurance to cover your car and properties. Life in a world that has iron (or aluminum) as moving machines requires insurance protection and when there is no cooperative insurance, you take the one in the market. They don't argue that you must take only third party.

2-Why do you need to ask, when they tell you that monthly payment is so much and you take the monthly plan as your contract, about the difference, what is it? (Remember the story of the cow in the Qur'an and its lessons). Besides, most likely you and the person who told you the difference is interest are incorrect. For instance the law in the USA prohibits charging interest on the differences in payment plans, because the insurance service is one that goes on with time and if you pay monthly, you are covered monthly and if you pay yearly you are covered yearly. Do you notice that it cost more to handle 12 payments than one payment, in a early contact, in the companies records, and it cost even more to handle monthly renewal of contract and payment than one contract and one payment for the whole year. Most of such difference reflect the cost of handling not interest of the amount, because the amount is not due if you select a monthly or a quarterly plan and interest is only on due amounts,

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Life and property insurances

From: Islam on line  
Sent: April 27, 2002  
Name of Questioner na'eem Gender Female Age 31-45  
Education Diploma Date Submitted 4/9/2002 Email  
country of Origin United Kingdom User Ref. No. 9SGH2H country of Res. U K

#### Question

Can u give some information on: 1. Life insurance to cover mortgage, 2. House contents insurance to cover loss and theft, 3. building insurance to cover loss, damage etc. what is the Islamic stance on these issues given that life insurance will mean that if the breadwinner dies then the insurance company will pay the remaining mortgage thus meaning the wife could continue to live in the house without having to settle the remaining mortgage which would have been the case had there not been life insurance. in the case of contents insurance, one pays a premium and the insurance company pays out if there is any damage or theft of the household contents. in the case of the buildings insurance the mortgage lender requires it as a condition of lending the money in order to protect his/ her property against any damage/ fire etc but the premium is paid by the lender. Your advice on the Islamic stance in each of these instances would be much appreciated. Wassalam

#### My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Sr. na'eem

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Insurance, in all its kind including the three you mentioned and life insurance too, is controversial there are two main views and the difference relates more to who offers it: a view that considers Forbidden all types of insurance offered on commercial basis, i. e., by companies that aims at making profit from the exchange contracts of insurance. The basis is that such contracts contain a big amount of ambiguity regarding the date of payment of the policy value, because you don't know whether an accident is going to happen and when, and the number of premiums that will be paid. For those scholars the alternative is a cooperative insurance in which premiums are paid on a donation basis to the pool of fund. The reason is not that here there is no ambiguity but that ambiguity is forgiven in cooperation and in donations.

The second view is pioneered by the late Shaikh Mustafa al Zarka. It argues that insurance, as a new contract is useful and the amount of ambiguity in it is little if we look at the probability theory that is the basis of the actuarial calculations of insurance; further, there are traditional contracts that offer similar service and they are approved in the Shari'ah such as the contract that offers a guarantee of road safety which is known in classical Fiqh. People of this view put two conditions for acceptability of insurance contracts: 1- there must be no interest clause in the contract (the three contracts you mention normally do not have interest) and 2- the subject of the insurance must be

permissible (e.g., it is forbidden to insure a shipment of alcoholic drinks) and the contracts you mention are not in this prohibited category.  
I personally agree with the second opinion and believe that the three insurance contracts you mentioned are permissible.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Fire and Accident Insurance in Canada

From: Islam on line  
Date: May 02, 2002  
Name of Questioner Senad Gender Male Age 31-45  
Education Graduate Date Submitted 4/18/2002 Email  
country of Origin Canada User Ref. No. SCZWV8 country of Res. Canada

#### Question

Assalamu Alaikum, I have a specific problem. My 3 year old son is not a fully normal child and as such, has a tendency to create big problems at home due to his over-active energetic behavior. I am afraid that he will one day, accidentally set fire to my house or destroy something of value for which I will not be able to pay for. Under this circumstance, is it permissible for me to buy house insurance? I would like to be a part of the Takaful system instead of buying the insurance, but unfortunately, no such system exists in Canada. Please advise me. Thank you and May Allah reward you for your efforts. Your brother in Islam, Senad.

#### My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Senad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Here again, Insurance is not indisputably forbidden. All kinds of insurance, including accidents insurance like house insurance are new. They were not known in the past. Shari'ah scholars who study insurance have not agreed on its prohibition. Some argue that when it is offered by companies that aim at making profit, it is forbidden because it contains a great deal of ambiguity.

Some others believe that the amount of ambiguity is not big to an extent that justifies a prohibition, especially when you look at it from the angle of the probability theory as applied to a large number of insured policy holders. I agree with this second opinion. And I say it is permissible to take any insurance contract for houses, cars, life as long as the contract does not include an interest clause.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: life insurance on the bread earner

From: Islam on line  
Sent: May 28, 2002  
Name of Questioner mohamed Gender Male Age 31-45  
Education Graduate Date Submitted 5/8/2002 Email  
country of Origin Egypt User Ref. No. U46S8D country of Res. U S A

Question

I AM CONFUSED ABOUT LIFE INSURANCE POLICY DO YOU THINK a MAN IN MY AGE [43]HAVE THREE KIDS THE OLDEST IN FIFTH GRADE .BANKS OWN ME A LOT OF MONEY LAST TOW WEEKS I HAVE HAD HEALTH PROBLEMS . DO YOU THINK IT IS HALAL TO GET LIFE HEALTH INSURANCE TO LEAVE SOME FOR THE KIDS AND MY WIFE TO LIVE ON ? BECAUSE THEY DONOT HAVE ANY BODY TO DEPEND ON WA GAZAKOM ALLAH WA ALSALAMO ALIKOM WA RAHMATOALLA WABARAKATO.

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. mohamed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Yes, I think it is wise to take life insurance to leave some for the kids and wife. I believe it is permissible in Shari'ah, and in that I follow the opinion of the late Shaikh Mustafa al Zarka. Health insurance is another kind of policy, it is permissible too.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Life insurance

From: Islam on line  
Sent: June 02, 2002  
Name of Questioner Amer Gender Male Age 31-45  
Education Graduate Date Submitted 5/28/2002 Email  
country of Origin U K User Ref. No. UL6DBK country of Res. U K

### Question

What is the Islamic view on setting up a life cover contract in order to protect the welfare of my wife and children after my death? In addition, Inheritance tax is payable at the rate of 40% on any assets above £250,000. For someone with an estate of £2million the tax bill would be £700,000. A life cover plan can be set up so that this bill is paid for from the proceeds of the life cover contract. Again, what would be the Islamic view on setting up such a contract?

### My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Amer

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I am sure you mean by life cover contract a life insurance contract, don't you?

Two main opinions; a majority's that it is not permissible because it has a great deal of ambiguity (Gharar); and I happen to be with the minority on this issue. The minority is led by the late Shaikh Zarka, it is of the opinion that the amount of ambiguity in all kinds of insurance contracts is tolerable and the life and other insurances are permissible with two conditions: 1) the contract must not contain an interest clause, and 2) you an insurance of a prohibited substance such as a shipment of liquor, is not valid.

The issue of taxes and liquidity is not of effect on the Fatwa.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Comprehensive car insurance

From: Islam on line

Sent: November 12, 2002

Name of Questioner Rubab

Gender Female

Age 31-45

Education Graduate

Date Submitted 11/9/2002

Email

country of Origin U A E

User Ref. No. DUA8NC

country of Res. Pakistan

### Question

Is comprehensive car insurance (covering damage to your own car, its passengers, others' cars or properties) HARAM in Islam? In case it is Haram, then what is permissible form of car insurance to fulfill country's traffic regulations? Jazakum Allah Khairan,

### My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Rubab

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Comprehensive car insurance is permissible regardless of whether it is required by law or not. This is the opinion of most learned scholars of the caliber of the late Shaikh Mustafa al Zarka, died in 1999. the basis of this is that insurance is a very useful contract, contemporary life makes it very often very important/essential; it is consistent with the general objectives of the Shari'ah; it has similar examples in Shari'ah-recognized contract that were practiced in the past, keeping in mind the differences in applied technology; and it does not violate any of the specific rules of Shari'ah

Scholars who consider it forbidden submit to legal requirement and say only the part that is required by the law of the land is permissible. If that part is only restricted to liability toward third party body and property damage, so be it. this is the only part they consider permissible under the rule of necessity. their argument for the prohibition of insurance, in all its kinds, is based on the ambiguity in the amount and day of payment of the responsibility of the insurer (the company).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Health and hazard insurance

From: Fatwa E [mailto:fatwae@islam-online.net]

Sent: December 29, 2002

Name of Questioner FARAJ Gender Male Age 31-45

Education Diploma Date Submitted 11/27/2002 Email

country of Origin Tanzania User Ref. No. H91DNX country of Res. Tanzania

Question

ASSALAAM ALAYKUM GOD BLESS YOU INSHALLAH I WANT AN ANSWER ON TWO QUESTIONS 1. IS HEALTH INSURANCE OR MEDICAL INSURANCE ALLOWED IN ISLAM? 2. TO TAKE BANK OVER DRAFT MONEY ON EMERGENCY WHEN IN NEED IS IT ALLOWED IN ISLAM?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. FARAJ

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Health, hazard and similar forms of insurance are permissible according to the views of the late Shaikh Zarka and I follow that opinion. there are scholars who argue for the prohibition of insurance unless it is done on cooperative or mutual basis. I believe that they do not have convincing argument for the prohibition of insurance provided by profit seeking companies.

Over draft almost always involves interest. Interest is prohibited and certainly causing interest to trigger is prohibited too. I doubt that there are cases that can be defined as necessities from Shari'ah point of view to justify the relaxation of this prohibition; we keep in mind though the Islamic axiom of Shari'ah that "necessities may relax a prohibition."

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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## II. INSURANCE ON MUSLIMS AND ISLAMIC PROPERTIES IN INDIA, THE USA AND OTHER WESTERN COUNTRIES

SUBJECT: Insurance on Mosques and Islamic Centers in the USA

From: Islam on line

Sent: Tuesday, May 28, 2002

Salamu`alykum, hope you're well and good. Please answer the following question.

Name of Questioner Nizam

Gender

Age

Education

Date Submitted 5/8/2002

Email

country of Origin

User Ref. No. CRSCF3

country of Residence

Question

The Muslim community of Bay Shore, Long Island, New York wishes to know whether it is lawful to take out insurance on a mosque. This question arose because we are in the process of completing our mosque, which was under construction for about a year and the threat of vandalism is real due to the increased hostility against Muslims and Islamic establishments after 9/11. Please provide us with a Fatwa on this question with reasons for it.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. Nizam

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

At this time, insurance on Mosques and Islamic centers, schools etc. is not only permissible, it is a must and we must prosecute for neglect any executive committee that does not do that. The reason is the threat you mentioned after 9/11. It is a necessity now. At other times, we discuss the Shari'ah experts' opinions on the issue while relaxing. Keeping in mind that insurance is a new thing and new contract that was not known in

the history of Islam, there are three opinions on insurance, of all kinds that include maritime, life, accidents, hazards and others: 1) all insurances are forbidden because they are speculative on the future and future is in the Hands of God, insurance contracts also has interest, ambiguity and imbalance (Gharar) and gambling. This opinion does not really stand argument, it stems of ignorance of what insurance is. 2) Insurance that is offered by companies that aim to make profit (in contrast to mutual or cooperative companies) is forbidden because it is an exchange contract between two parties and it contains Gharar. The Gharar element comes from the point that in most cases, you don't know how many premiums you are going to pay and when and how much the company is going to give you as the amount of damage and it date are not known at the time of the contract. People of this opinion believe that the insurance contract can be remedied from Shari'ah point of view if two changes are made: make the insurer a cooperative or a mutual body whose members are the policy holders and make premiums be given as donations to the cooperative or mutual company provided that it compensate any hazard that happens to its members. These two conditions make the contract permissible not because they remove the Gharar; it still exists. But because Gharar is tolerable in donations (Tabarru'at) not in exchange contracts. 3) The amount of Gharar in the contract, as it is between a money maker insurer and an insured, is not substantial enough to warrant prohibition especially if we notice that insurance is based on the probability theory and can't be worked out without a large number of insured people/things. The guru of this opinion is the late Shaikh Mustafa al Zarka, died in 1999, and for the last quarter of a century was the top Shari'ah Scholar in the world. This opinion is also supported by the late Maududi and by many other Shari'ah scholars. I go along with this view. There are two conditions though that must be satisfied: there must be no interest section in the contract, many life insurance contracts have interest clauses, and the insured must be permissible in Shari'ah, e.g., insuring a shipment of liquor is not permissible because owning and transporting it are not.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: life and property insurance in India

From: Islam on line

Sent: Wednesday, May 29, 2002

Name of Questioner yusuf

Gender Male

Age 21-30

Education Post Graduate

Date Submitted 5/12/2002

Email

country of Origin India

User Ref. No. YMRCPG

country of Res. India

Question

assalamu alaikum first I would like to thank Islam on line for the great service to the Ummah and particularly younger generation. My question to Monzer Kahf because his fatwa on insurance is the most consistent. I'm in India today essentially a strong anti Muslim anti Islam country where Muslims both in private as well as in govt jobs if they

get with ALLAH'S GRACE are confined to great discrimination. I'm working as an insurance agent in an American company and I have also recruited my Muslim brothers as they don't have any work and all of them are able to make a decent living by insuring their loved ones; and amount of risk faced by our Muslim brothers, I feel very happy in selling them insurance because it is very good for their family in case of any calamity. India has no Islamic banking or insurance but keeping in mind the risk to life and property of Muslims it is required; and due to negative conception among Muslims the business also goes to non-Muslims who make money by selling them to Muslims. Local muftis here say you can buy but not sell insurance which I feel is ridiculous. Kindly advice is my working in insurance company in India justified and helping my Muslim brothers by giving them jobs and security is it justified.

My Answer:

Bismillah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Yusuf

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You asked this question on live Fatwa and were given an answer, why do you have to take share of others and use their time for you my dear brother?

Here is a copy of what you already have:

In the name of Allah, The most Merciful, The most compassionate.

Praise be to Allah Lord of the Worlds.

Peace and blessings be on His final Messenger Muhammed.

Dear Br. Yusuf:

Assalamu alikum wa rahamtulahi wa barakathu

To begin with, life and other kind of insurances are controversial among Islamic Shari'ah experts. Some Ulama view them as prohibited because of the amount ambiguity (Gharar) that is involved regarding the obligations of the two parties and the date the insurance face value becomes due.

I go along with the minority's opinion that insurance is permitted on the grounds the amount of ambiguity is tolerable especially that insurance is based on the theory of probability and large number of policy holders.

In special cases as in Muslims in India, I think the opinion you mentioned about some Ulama who encourage Muslims to take insurance is very wise. This morning I was asked about property insurance for mosques in the US after 9/11 and I gave the opinion that it must be obligatory to the extent that the executive committee of the association that runs the mosque must be prosecuted for neglect to take sufficient safe guards if they did not insure the mosque building. I fully agree that at this time life and property insurance for Muslims in India may not only be recommended but obligatory.

With regard to selling insurance, we must realize that in any controversial matter we should not oblige people to take the more difficult position. This means that even in normal times and situations working in an insurance company are permissible and the income you derive, as commissions and/or salaries, is InShaAllah Halal. Obviously if we agree that buying insurance is recommended, facilitating it for Muslims must be a good and

perhaps recommended way to earn a living.  
Finally, you have given a lot of thought and wisdom in your questions and the views you expressed; may Allah reward and bless you.

Allah knows best.  
Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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### **III. ARE PENSION PLANS PERMISSIBLE? AREN'T THEY A KIND OF INSURANCE?**

SUBJECT: Are Pension plans permissible? Aren't they a kind of insurance?

From: dialogue@islam-online

Date: 3/30/2001

Name of Questioner Youssef

Gender Male

Age 31-45

Education Graduate

Date Submitted 3/30/2001

Email

country of Origin Morocco

User Ref. No. BK6CBT country of Res. Morocco

Question:

Assalamu Alaykum My question is concerning pension plans, I'm working with a multinational company and we have a subscription with a private insurance company in Morocco for an insurance plan and a pension plan. The pension plan is as follow I pay 6% of my monthly salary and the company in which I work 6% to the insurance company and at the age of 60, I have the right to three options: 1-To get the amount accumulated at ones 2- to get a monthly amount for 10-15 years 3- to get a certain monthly amount until the end of your life. The problem is as follow, the amount that I'm paying each month there is a minimum rate of 4.5% guarantied but the right benefit of each year is calculated according to the benefits that the insurance company has had each year with this money and is normally between 6 and 8% per year. I don't have any idea where and how the insurance company is investing their money and I don't have the possibility to know. Is this kind of pension plan allowed by Islam or not? Many thanks and God bless you.  
Assalamu Alaykum.

My Answer:

Dear Br. Youssef,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

The actual and the guaranteed rates are interest. In almost all countries, insurance companies are not allowed to invest the insurance fund in anything other that interest earning assets. This especially applied to group pension funds. You probably know that there are life insurance policies available for more that 10 year in the USA that invest the

insurance funds in the stock market, where one can make a selection of funds that have the least involvement in interest and other prohibited transactions. This is out of the question at this moment..

Pension plans that come with employment, in the government and big businesses, in which the employee has no choice of the conditions of the contracts, like this case, were discussed by the greatest Muslim Scholar of the Twentieth Century, the late Shaikh Muhammad Abu Zahrah and he argued that they are permissible for a Muslim individual employee to take them and you don't need to ask about any details of how and why they invest in a certain manner. If Muslims create a pension plan in company in which they have a decision power they must formulate it without any interest or any other prohibited transaction.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Beneficiary of Pension

From: Islam on line  
Sent: September 29, 2002  
Name of Questioner umm j Gender Female Age 31-45  
Education Post Graduate Date Submitted 9/3/2002 Email  
country of Origin South Africa User Ref. No. VVTEU9 country of Res. S. Africa

Question

Assalamu Alaikum I would please like to know what the Shari'ah ruling is on inheritance if - a divorced man dies - he leaves behind his parents and one son - he has not left a will - according to the law of the country his son is the beneficiary of his house and pension fund how would the house and pension lump sum be allocated according to Shari'ah?

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in  
Dear Sr. umm j

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The Shari'ah rules give the parents one sixth each of the estate, net of debt and funeral cost (you said there is no will by the deceased).

However for the pension, we have to distinguish between two cases. 1) a residual lump sum in the Pension Fund that was owned by the deceased in his life (example: the Individual Retirement Accounts, IRA, in the USA), this must be distributed the same as

mentioned above because it was owned by the deceased in his life, and 2) a lump sum due by the incidence of death, like we have it in life insurance. This can be distributed to beneficiaries as per assignment made by the deceased or by the law or system of the Pension Fund. But if there are no such assignments, they must be distributed according the inheritance rules mentioned above. The reason for the different treatment is that the latter was not owned by the deceased and the inheritance applies to the properties the deceased owned in his/her life.

Note: it is unfortunate that many Muslims who live in countries that have no family and inheritance laws for Muslims do not take proper precaution to make their estate be distributed in accordance with the Shari'ah. Please consult [www.isna.net](http://www.isna.net) or [www.kahf.net](http://www.kahf.net) for the form of Last Will and Testament that must be signed and readied by all such Muslims.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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#### IV. REINSURANCE, IS IT PERMISSIBLE?

SUBJECT: Is reinsurance of Reciprocal insurance permitted?

In a message dated 8/2/2001

From: [dialogue@islam-online](mailto:dialogue@islam-online)

Name of Questioner Mohamud

Gender Male

Age 31-45

Education Graduate

Date Submitted 6/26/2001

Email

country of Origin Kenya

User Ref. No. WDVKTD

country of Res. USA

Question:

Peace of Allah and His Blessings be upon you. We are a group of Muslim families who want to form a reciprocal (TAKAFUL) fund where if one of the breadwinners died the rest will pay his/her family \$50,000 in order to settle any outstanding debts on the diseased and \$5,000 funeral expenses for each member of the group. In this State of the United States this is called reciprocal insurance and although it's not required to be incorporated or licensed the government requires REINSURANCE of the fund to protect the interest of the members. Our intention of forming this TAKAFUL is to avoid conventional insurance. Our question is are we sinning to reinsure through commercial reinsurance if there are no Reinsurance company that adhere to the Islamic law and it is required by the regulators to either reinsure ourselves for an amount we cannot afford or through conventional reinsurances.

My Answer:

Dear Br. Mohamud

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

The group of Muslim Fuqaha who consider conventional insurance prohibited because of the Gharar involved accept the cooperative or reciprocal type as an alternative provided that installments or premiums paid to the cooperative or the reciprocal insurance entity are given as donations. Their rational is that when you give donations (Tabarru'at) Gharar is forgiven and in donations one can make certain conditions like the reciprocity condition. Obviously, such donations cannot be given to a profit motivated company. This group was faced, in the early stage of insurance entities organized according to its views, by the same question of reinsurance. The Fatwa of the leading scholar of this opinion, Shaikh al Siddiq al Darir of Sudan, is that until Islamic reinsurance companies are established it is permissible to take reinsurance with conventional reinsurance ones because that is a lesser of an evil. You know that reinsurance is needed by the sound business practice rule of insurance not necessarily as government requirement. This is the way all, what is called, the Islamic insurance companies run their business today!

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

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## V. TERM AND WHOLE LIFE INSURANCES

SUBJECT: Whole and Term life insurances

From: Islam on line

Sent: March 31, 2002

Name of Questioner Jamal

Gender Male

Age Above 60

Education Graduate

Date Submitted 3/4/2002

Email

country of Origin United States

User Ref. No. BV2HIK

country of Resi. USA

Question

What are the types of life insurance that are permissible?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Jamal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Here are shorthand answers without their rationale, as it has become known to the questioner.

1. Whole Life – a cash value is involved which earns interest: Forbidden, unless the interest effect, being small and peripheral to the main substance of the contract, can be isolated and give away to Muslim charities.
2. Term Life – this is pure insurance – no cash value is involved, no interest is earned: permissible.
3. Variable Life – cash value is involved, but it is invested in stocks only: permissible provided stocks are selected from among the permissible set of stocks (i. e., generally, not banking and other interest loaded companies, no armament and military industries, no other Haram such as breweries and casinos and Hollywood companies, no preferred stocks, no prohibited derivatives) .
4. Tax deferred variable annuity – the insured's cash is invested in stocks only; death benefit guarantees the insured's beneficiary will receive at least as much as was paid in to the policy: permissible with the same condition.
5. Health insurance: permissible.
6. Car insurance: permissible .
7. Home insurance: permissible.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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Subject: Term life insurance

From: Islam net [mailto:islamonline.net@hotmail.com]  
Sent: December 24, 2002  
Name of Questioner ASHRAF Gender Male Age 31-45  
Education Post Graduate Date Submitted 11/22/2002 Email  
country of Origin Egypt User Ref. No. VB55VZ country of Res. Egypt

#### Question

Asalam Alikum, my company offers "Term Life" Life Insurance. I pay \$12 monthly, and in the case of my death I get \$200,000. Is this Haram, I read your Fatwa about Life insurance, but I did not fully understand it. Please advise me.. Gazak Allah Khair

#### My Answer:

[Bismi Allah al Rahman al Rahim](#)  
[Al Hamdu li Allah Rabb al 'Alamin](#)  
[wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in](#)  
Dear Br. ASHRAF

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Term life insurance is permissible. I do go along with the Fatwa of the late Shaikh Mustafa al Zarka that insurance, offered by commercial or other companies, is permissible if it is not interest-based. Term life insurance is not interest-based. You can take it through your employer, as a group, or even individually.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf  
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## VI. SIGNING AN INSURANCE CONTRACT AND ESCAPING ITS IMPLICATIONS

SUBJECT: signing an insurance contract then claiming it is not binding

From: Islam on Line  
Sent: March 27, 2002  
Name of Questioner Muhammad      Gender Male      Age 15-20  
Education Graduate      Date Submitted 2/27/2002      Email  
country of origin Bangladesh      User Ref. No. UCVIYI      country of Res. UK

### Question

Assalamu Alaikum brothers, my question was regarding contracts (insurance). I heard that during the time of the prophet (saw) his wife Aisha (ra.a) agreed a contract to free a slave, it turned out that this contract was denying some Islamic principles hence it was an un-Islamic contract, on meeting the prophet (saw) he told her to ignore the un-Islamic terms of the contract (as she wasn't bound by it). What i want to know is can this Hadith be used to justify signing a Insurance contract, because you could sign the contract and ignore the un-Islamic terms which exist in the contract and hence you wouldn't be bound by it. If so, can't we then say that Muslims can sign any un-Islamic contract because they will not be bound by it? Furthermore I've heard people say you can sign a Haram contract as long as you sign with the intention of attaining the actual paper (of the contract) and not agreeing to the contract itself, is this correct? Assalamu Alaikum

### My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in  
Dear Br. Muhammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The Hadith you refer to is (meaning only) 'Aisha, may God be pleased with her, wanted to buy a slave woman for the purpose of liberating her, the seller insisted on a condition that contradicts the contract itself (the Wala' relation [ relation of mutual support between a liberator and the liberated slave] should be to the seller) The prophet, pbuh, told her to accept and let the purchase go through and such a condition is void because such a condition puts a limit on the right of owner as it contradicts the implication of the right of ownership.

The general rules of contracting are expressed in the Qur'an, Verse 5:1 that applies to all conditions in contracts and the Prophet's saying "Muslims must stand by their conditions." This means that all conditions must be fulfilled.

Of course it is apparent that when the law itself voids a condition because it contradicts the nature of the contract such a condition is abolished by law. That was the kind of condition in the case of 'Aisha, mGbpwh. an example of such conditions: If you sell a car and make a condition that the buyer must not ride it, or must not sell it or must not travel in it from London to Birmingham, etc. all such conditions are void by law in the UK and in USA and in Shari'ah.

That doesn't mean you can sign any condition and claim you are not bound by it. For Muslims living in countries that do not apply the Shari'ah as its civil law, the law of the land is binding to them, and they will only fool themselves if they sign a contract, with a condition that is in violation of Shari'ah and claim it is not binding on them! If you sign a contract you will have to fulfill all its conditions unless the other party relieves you of them and signing a contract that contradicts the Shari'ah put the sin on the Muslim who signs, no relief from this sin! Finally, beware intentions do not affect contracts if they are not spelled out in the sections and text of the contract, and there is nothing in Shari'ah that is called "attaining the paper of the contract."

Finally, to get an insurance contract you have to pay the first premium at least, it will then be to your disadvantage to consider it not binding if anything happens!

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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## VII. STUDYING INSURANCE AND WORKING IN INSURANCE COMPANIES

SUBJECT: Working in an insurance company

From: Islam on line  
Sent: May 05, 2002  
Name of Questioner Sameer Gender Male Age 21-30  
Education Graduate Date Submitted 4/21/2002 Email  
country of Origin Canada User Ref. No. KSKSL5 country of Res. Canada

Question

Assalamu Alaikum, I have searched your fatwa bank for rulings on insurance in general and working in them specifically, in the hopes of resolving a major question of mine. I am near the completion of my university degree and I am intending on working in the actuarial profession. Actuaries are hired in all types of insurance companies, consulting companies and pension companies. From what I have researched pension companies seem to be the area least under dispute. Even so it would be unlikely that upon landing

my first career job, I would find a pension company that is involved in fully Halal transactions. My questions are as follows. 1) Would it be possible to work as an actuary in a traditional insurance company, and if not in all then which ones? 2) Would it be possible to work for a consulting company even if some of its employment comes from insurance companies and traditional western banks? 3) Is it Halal to work as an actuary in a pension company? Jazakallah khair.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. Sameer

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Insurance itself is not agreeably prohibited. Great Ulama of the caliber of the late Shaikh Mustapha al Zarka (died 1999) believed it is permissible if there is no interest clause in the contract. Actuarial studies are useful for insurance and pensions and they are used all over the Muslim world. It is just happened that those contemporary Ulama who argued for its prohibition are not exposed to the needs of contemporary life, in industry, trade, transportation, urban living, health, and life insurance.

Anyway even those Ulama that believe insurance offered by companies that aim at making profits, in contrast with mutual or cooperative insurers, do not consider working in such companies a prohibited action. Shaikh Muhammad al Siddiq al Darir of Sudan, a leading international Shari'ah scholar against commercial based insurance and obviously against interest argues that working in interest based bank is permitted as long as one avoids being a signatory of an interest based contract, its writer or its signing witness. The matter with insurance companies is the same. It is permissible to work in an insurance company, for analogy of his opinion, as long as you are not the person who signs the contract on behalf of the company.

In Brief, I happen to be an admirer of the opinion of Zarka, by the way the late Mawdudi has similar opinion, and I believe that insurance is permissible as long as it is void of an interest clause. Working as actuarial in pension companies is permissible, working as actuarial in insurance companies is also permissible and the income derived from them is Halal (lawful) InShaAllah,

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Selling life insurance to Muslims in India

From: Islam on line

Sent: August 12, 2002

Name of Questioner gaffoor

Gender Male

Age 21-30

Education Post Graduate

Date Submitted 8/2/2002

Email

country of Origin India

User Ref. No. RLC6J

country of Res. India

Question

assalam mu Alaikum, I just need your advice I am here in India selling insurance products. Some of my Muslim brothers insult me call my profession Haram they don't have the right knowledge on insurance and when i show them they don't see it also as a result of this I'm developing a constant hatred to the certain sect of the society for their ignorance because of them I am not able to focus on my work. Kindly advice ALLAH HAFIZ

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. gaffoor

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

the opinion "that insurance contracts with regular commercial companies as insurer is permissible" is strong from the point of view of evidence and general Shari'ah principles, although it is the minority's. I personally go along with it with due respect to those scholars who take the opposite view. There must be no ill feeling because we adopt different opinions in matters that are not given in the texts of the Qur'an and the Sunnah. I think insurance is very important in the contemporary life, especially in countries that do not have the cooperative/contributory kind of insurance. The situation of the Muslims in India makes insurance rather kind of obligatory for all Muslims on their properties and their lives too. I believe the benefits of insurance under such circumstances make it more important.

Please be patient, brother and try to educate the ignorant among us...

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Studying and working as actuarial

From: Islam on line

Sent: August 17, 2002

Name of Questioner Thara

Gender Female

Age 15-20

Education

Date Submitted 7/21/2002

Email

country of Origin United Kingdom

User Ref. No. 7QT776

country of Res. UK

Question

Asalam alay kum warahmatulahi wabarakata hu My friend is studying Acturial Sciences at University as his degree. As far as i understand it, the degree is not Haram itself but he

intends to become an Actuary in the future. Please could you inform me of the ruling concerning becoming an Actury-Jazaakallahu Kairan

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Thara

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Studying and working in the area of actuarial science is permissible because he can work in areas other than commercial insurance companies such as retirement plans and Islamic insurance, besides working in commercial insurance companies is not forbidden as insurance contract with them is not forbidden but controversial. There is an important group of Muslim scholars who believe it is permissible on the ground that it is a new contract that violates none of the rules of Shari'ah. This group refutes the argument that it is similar to Interest or it contains an amount of Gharar (ambiguity) that is not telerable in contracts.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Working in insurance companies on commission

From: Islam on line

Sent: September 06, 2002

Name of Questioner kashif

Gender Male

Age 31-45

Education Graduate

Date Submitted 8/20/2002

Email

country of Origin Canada

User Ref. No. 8ISSU4

country of Res. Canada

Question

Dear scholars, As-Salaam `Alaykum. I have a question on working with insurance company. I want to know: is it Haram or Halal, if I work for an insurance company on commission basis which deals in term life and property insurance. This is self employment which gives business opportunity your own. But i am confused is it Halal for me to do this business or not. Please give me straight answer can I do this insurance business or not. Thank you waiting for your reply

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. kashif

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Working in insurance companies is permissible provided you avoid writing interest based contracts. Health, property, accident and term life insurances are not interest based. Other forms of life insurance policies have interest clauses, and for a few of them such a clause is not central or pivotal to the contract, in some other insurance policies the interest matter is essential. These must be avoided.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Working in an insurance company

From: Islam on line  
Sent: December 23, 2002  
Name of Questioner MOHD Gender Male Age 15-20  
Education Diploma Date Submitted 11/3/2002 Email  
country of Origin Pakistan User Ref. No. 1VTM2 country of Res. Pakistan

#### Question

ASSALAM-O-ALIKUM MY NAME IS M. SIR, I WANT TO TAKE ADVICE ABOUT AN ISSUE: INSURANCE. INSURANCE OF LIFE IS IT LAWFUL IN ISLAM. MY BROTHER IS A TRANIEE MANAGER IN AN INSURANCE COMPANY.HE SAID TO ME THAT IF U WANT TO DO WORK FOR THE SAKE OF EXPERIENCE SO U R WELCOM. SO I THOUGHT THAT IT IS VERY GOOD OPPARTUNITY FOR ME TO GET EXPERIENCE AND TO BE INDEPENENT SIR,MY AGE IS 18 AND I WANT TO DO WORK AND I WANT TO MAKE MY SELF INDEPENDENT. SIR I DON'T WANT TO DEPEND ON MY FATHER'S MONEY. SIR, I FELT THAT SOMETIMES MY FATHER FAIL TO MAKE 100% FROM HIS INCOME SO I THOUGHT THAT IT IS GOOD TO DO JOB AT THIS VERY YOUNG AGE AND GET SOME PROFESSINAL EXPERIENCE. BUT AS I MENTIONED ABOVE THAT SOMEBODY TOLD ME THAT "IT IS UNLAWFUL ACCORDING TO THE ISLAM AND THE WORKERS WHO ARE DOING THIS WORK THEY ARE ALSO GETTING FORBIDDEN INCOME, AND I DON'T WANT TO START MY JOB FROM FORBIDDEN MONEY" WHAT I DO IN THIS SITUATION ? PLZ, HELP ME SIR I WILL BE VERY THANKFUL MAIL ME SOON ALLAH-HAFIZ

#### My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. MOHD

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

First, allow me, dear Son, to commend you on the step you are taking to work and earn

your own income. it is an excellent step, but do not let it be a substitute of improving your skills and abilities by college study and good training because these improvement add a lot to your potential earnings in the future.

My position on insurance is that I follow the opinion of the late Shaikh Mustafa al Zarka. Insurance is permitted provided the contract is not interest-based and the insured is a permitted thing. In application, this means that car, health and hazard insurances are all permitted; several forms of life insurance contracts are also permitted such as term life insurance. On the other hand the part of a regular life insurance that is based on interest is not permitted on the ground that Riba is forbidden. Once it is established that insurance is permitted working in this field is also permitted.

There two other view on insurance that I have to inform you about although I do not agree with their arguments. Some people believe that insurance is forbidden whatsoever, because it is gambling on the Will of God. This is in fact a misunderstanding of insurance because it has nothing to do with changing the sequence of events, hazards or accidents.

The other view is that insurance is not permitted because its contract normally contains a certain intolerable degree of ambiguity (called in Islamic Fiqh Gharar). Shaikh Zarka (who dies in 1999 and was the recognized the most knowledgeable Shari'ah scholar of our time) argue that the amount of Gharar is in fact tolerable and cites similar precedents in the classical Fiqh. Those who argue on the basis of Gharar add that if insurance is reformulated on a cooperative basis, it can become permissible. According to this view several cooperative Islamic companies were established in several countries. Many scholars, after studying the experience of these companies go back to the opinion of Shaikh Zarka because even with a cooperative company, the contractual relationship between the company and the policy holder is still an exchange contract.

In brief, insurance and working in its field are permitted as long as you avoid interest transactions.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Advising people on choosing best insurance

From: Fatwa E [mailto:fatwae@islam-online.net]

Sent: January 02, 2003

Name of Questioner Khwaja

Gender Male

Age 46-60

Education Graduate

Date Submitted 11/20/2002

Email

country of Origin Pakistan

User Ref. No. I95D3

country of Res. Canada

Question

Assalamu Alaikum, May Allah bless you your efforts and time. I have an opportunity to improve my financial situation by getting involved with Primerica a Financial Services company. I have 7 kids, wife doesn't work, can not work, going in debt very fast, my landlord has asked me to leave the apartment because he wants to sell it, mortgage is Haram, no one would give me a rental property because of family size, only way is to

make enough money to buy a house in cash. In this financial service business we advice people on how to reduce debt by offering better products which includes loans and insurance policies with lower interest rates. I can build my own business and make very good money in commission at the same time helping families get rid of or reduce their debt. In a regular job I will never have enough to make ends meet and I will pay more and more interest until I go bankrupt. This society is not for single earner families. I avoided credit based on Riba for 4 years after I came here but finally the system caught up with me. I hate it but I am stuck in it. I have a full time job that pays half of my expenses the other half is increasing by debt monthly. I have tried to get a second job and every other thing and I don't get a response from anyone. Is this business Halal or it is Haram for me to do this business to rid myself of Riba forever. Once I have paid my debt and bought a house I would do some trading business without any involvement of Riba. I won't be taking Riba but I will be advising families on how to reduce it which is good in itself. I desperately need your advice on this one I would appreciate if you do not publicize my letter so openly because community will immediately know it is me, I am a well know College Professor and actively involved in community and Daawa activities. Not many people are in my situation in this community. So I am very recognizable. My

Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Khwaja

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Advising persons, who are already under interest-based contractual obligations on how to reduce their interest is not bad at all; it is rather good, more good if these persons are Muslims because you would helping them reduce their involvement in sin. You must not write or sign the new reduced-interest contracts, because it is forbidden. Also helping people in insurance is permissible as most kinds of insurance are permissible and several contractual forms of life insurance are also non-interest based. I am afraid you may be expecting rather too much from this proposed new venture and it may end up not giving you what you expect.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Working as Actuary

From: Islam on line

Sent: February 26, 2003

Name of Questioner omar

Gender Male

Age 15-20

Education High School and Below Date Submitted 2/18/2003

Email

country of Origin Pakistan

User Ref. No. 7FJCZU

country of Res. Pakistan

### Question

Is the job of an actuary who mainly calculates insurance premiums Haram in Islam?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. omar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No. Working as actuary is permissible because it is useful and the concept of insurance is not forbidden. In addition to insurance companies it is used in retirement programs, providence funds and social security system.

Additionally working as actuary in an insurance company is not forbidden either because insurance is controversial. there are great scholars (and probably the wiser ones!) who argue that insurance is permissible even when it is run on profit making basis, i.e, not only the mutual or cooperative type of insurance that is agreeably permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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## VIII. ACCEPTING INSURANCE PROCEEDS

SUBJECT: Accepting insurance proceeds from a contract bought by employer

From: Islam on line

Sent: May 11, 2002

Name of Questioner Mohammed Gender Male Age 21-30

Education Graduate Date Submitted 4/20/2002 Email

country of Origin India User Ref. No. 9K7WXM country of Res. India

### Question

One of my friends had died by accident from UAE while he was working on his company. Company has taken Life insurance for him according to law of U.A.E. This insurance amount is already sanctioned. But our problem is this money is Haram or Halal and His family also very poor and having children and wife too. We asked so many scholars and they recommended to Ask you about this subject. I am expecting your response on this matter with Islamic view as soon as possible.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Mohammed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Life insurance with commercial (i. e., other than mutual or cooperative) companies is controversial. Some Ulama believes it is Halal and others believe it is Haram. I happened to side of those who consider it permissible, hence my opinion is that the amount of insurance paid to the beneficiaries upon death of the insured is Halal InShaAllah.

BUT your question is not about life insurance, though it seems like that, because the deceased did not buy a life insurance and did not pay for it. I will rephrase your question as follows: some dies, and according to government regulation the employer was required to arrange that certain amount be paid to the deceased's family, regardless poor or rich, is that amount permissible. The answer is certainly positive, Yes it is permissible and it is non of the business of the beneficiary to question who actually paid it and by virtue of what kind of contract it is paid.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Proceeds of life insurance of deceased mother

From: Islam on line

Sent: June 19, 2002

Name of Questioner

Gender

Age

Education

Date Submitted 6/7/2002

Email

country of Origin

User Ref. No. MBXA41

country of Res.

Question

My mother recently died, but she had taken out a life insurance policy. I am the sole beneficiary and at the age of 17 years, I need the money. Am I allowed to take the money?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br./Sr.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

First may God shower mecry to the soul of your mother and give her blessing.

In my opinion life insurance is permissible if it is not interest-based. Interst accumulates in life insurance if the insured collects its value and it has interest within the collected value. As a beneficiary, if you collect the amount of the policy (its face value) that is the amount of insurance , it has no interest if you collect more than the face value, it may have interest, it depends on the moe of investment in the insurance agreement. In the

latter case you need to isolate the interest amount and donate it to a Muslim charity and the rest is Halal InShaAllah.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Receiving injury compensation from an insurance company

From: Islam on line  
Sent: December 21, 2002

Name of Questioner	amal	Gender		Age	
Education		Date Submitted	12/17/2002	Email	
country of Origin		User Ref. No.	TC9V39	country of Residence	

#### Question

salam alakum I need some light on my question: I recently got into a car accident. And alhamdulillah I was not seriously injured. I do have to see the doctor every so often and I have started physiotherapy. My question is: Is it Haram if i go after the insurance company (suing them) for the accident? To me if they gave me all the money in the world it would not bring my health to the way it was. Others tell me to sue them and give the money to the mosque or to the poor. What do u think is the right thing to do.?

#### My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in  
Dear Sr. Amal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

if the accident was not your fault, suing the injurer and the injurer guarantor (his/her insurance company) is certainly your right that you need not forsake and any amount you collect is a compensation of the injury you sustained, you need not give it to a mosque unless you want to make a voluntary charity. According to Shari'ah, an injured has a right to be compensated by the injurer, and if an insurance company, on the injurer's behalf, makes payment is well and good and the kind of relationship between the injurer and his insurance company is none of your business, you are not the one who contracted the insurance company anyway.

If it is your fault and a smart lawyer can switch it on the other party, it is certainly forbidden to get the money and to contract such a lawyer. This is taking properties of others in vain.

If it is your fault and you are compensated by your own insurance company, you are the one who contracted the insurance and you should have asked your question before you contracted the insurance company.

In my opinion, car, accidents and hazards insurances are permissible with no reservation that affects your question. If the contract is permissible, getting a compensation from the

insurance company according to this contract is also permissible.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Being a beneficiary to a Riba-based life insurance

From: islamonlinenet@hotmail.com  
Sent: January 18, 2003  
Name of Questioner Asma Gender Female Age  
Education Date Submitted 12/23/2002 Email  
country of Origin United States User Ref. No. CB3T1C country of Residence

#### Question

Asalaam-o-Alaikum, I have a question about Life Insurance and I have gone through your previous answers on it but I'm not clear about what does the late Shaikh Mustafa al Zarka's fatwa means. This person is Christian and I am the beneficiary on his Life Insurance and I and my family are Muslims. The life insurance company has given him an option of taking half the money instead of the full amount after a certain time if he does not want to wait till the contract materializes which is his death. Now is it legal as a beneficiary to take that money and use it on my family as me and my husband both are unable to find a job and we also have 3 children. Of course we will also give some of it to charity.

#### My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in  
Dear Br. Asma  
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Let me please try to make three points clear, those that your question statement raise:

- 1- To be a beneficiary on a life insurance of any person, Muslim or non Muslim is permissible, the money you get is pure (Halal). You did not make the life insurance any way. This is different from entering in a life insurance contract with a company whether you are the insured or not. Regardless of its origin and the contractual relationships that generate it, the money you get as a beneficiary is just money due to you by law from certain company, is there any thing forbidden in taking it? Certainly none.
- 2- Whether you donate to charity from any money you get is your decision and you are certainly free to do it or not at any time.
- 3- The Fatwa of the late Shaikh Zarka: he argued that all kinds of insurance contracts, including life, are permissible because insurance is a new thing that did not exist at the time of revelation, it is useful, and it fulfills a very important need that came about with changing life style, and finally it does not violate or contradict any text or rules of the

Shari'ah. He sharply criticized the claims that insurance is Riba-based or gambling-based. He further argued that whatever amount of ambiguity it contains (with regard to the due date of payment and some times number of installments) is tolerable especially that it is of the kind that does not cause disputes. Ambiguity that causes disputes is not permitted. He made two conditions: that the contract must not include any interest (Riba) clause or component and that the subject of insurance should be permissible, i.e., you cannot insure a shipment of liquor, or the legs of a dancer in a night club (the latter is his exact example) because both are prohibited, but certainly you can insure the fingers of a computer terminal user, because this is a permissible job.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Receiving payments for medical insurance

From: islamonlinenet@hotmail.com  
Sent: January 19, 2003  
Name of Questioner Oum Khaled Gender F Age 21-30  
Education Date Submitted 12/25/2002 Email  
country of Origin User Ref. No. E5BP1H country of Residence

#### Question

Assalam alaikoum Please try to answer to my question ASAP because I'm continuously thinking about it My question is about medical insurance. I'm working on a private enterprise and all the employees salaries are decreased by a certain amount called "medical insurance". Our enterprise has signed a contract with an insurance society wich is private and not belonging to the state. This contract assumes to return to us 80% of all our medical bills for example if I'm ill and go to a doctor and pay him 20 Euro they will return to me 16 Euro. I have also the possibility to add my husband and my kids to this contract with not paying an additional amount and they will benefit from the same service. Is that "Halal"? I heard that I can benefit from those returning but with not exceeding the amount that I gave from my salary Jazakoum Allah Khayran

#### My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in  
Dear Sr. Oum Khaled  
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.  
Medical insurance is permissible and you can certainly take the 80% of your medical expenses returned back to you from the insurance company. There is nothing forbidden in medical insurance. This is the opinion of scholars who studied and understood it. There are other views mainly from traditional scholars who did not study such contracts in

detail.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Beneficiary's proceeds from life insurance

From: LatinoDawahNY@aol.com  
Sent: March 15, 2003

#### Question

Salaam alaikum, Jazakallah for taking your time to answer this question. My non-Muslim father recently passed away. He had a life insurance policy. I wanted to know if it is permissible for me to accept my share of this inheritance. Specifically I have done some research and found that scholars have conflicting answers with regard to the permissibility of Muslims having their own life insurance policies. However, in this particular case the amount left to me is a gift (inheritance), not something that I have paid any money or interest into (if that makes sense). Does that have any bearing on its permissibility? That is, if it is a gift am I obligated to question it?

Thank you for your time, Salaam. Sr. Samantha

#### My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Samantha

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

In your kind question you actually raised four issues: life insurance, inheritance between Muslims and non-Muslims, is the proceeds of life insurance an inheritance? and gifts between non-Muslims and Muslims. I will try to give brief answers to all of them.

1 - Life insurance, and all forms of insurance too, is controversial. Almost all Fuqaha who argue against it have very little experience of life in Western countries and cannot imagine how useful it is, rather important, insurance in general and life insurance, in specific, is. Those who have some experience or knowledge about live in the industrial countries all almost all for the permissibility of insurance of all kinds. I believe it is permissible. The main evidence is its usefulness while it does not violate any of the objective or specific texts of Shari'ah, there are similar examples in known permissible contract such as the contract to guarantee ravel road safety and the 'Aqila system for payment of compensation of injuries inflicted without any criminal intention, it is not based on interest (as the nature of contract, although many life insurance contracts have interest clauses and such clauses are certainly prohibited, the thing that makes certain kinds of life insurance prohibited), it is not based on gambling, and the amount of

ambiguity in the contract is within Shari'ah tolerable level). I believe that it is permissible for Muslims to take certain kinds of life insurance contracts. This contract was taken by a non-Muslim who is certainly not required to follow the rulings of Shari'ah because he is first asked to accept the truth of the Oneness of God and the Prophethood of Muhammad, pbuh. Consequently this discussion is in reference to your reading on insurance.

2 - Inheritance between Muslims and non-Muslims is not permissible, two ways. there are several Sayings against it and this is the view of the four schools of Fiqh. there is a minority opinion in the Malikite school that this prohibition is only one way, and that Muslims may inherit from non-Muslims. The Sayings about the inheritance of Saad, the companion, from his father (the Prophet prevented him to take any share and left all the estate to his non-Muslim brother) stand against this. Beside this opinion is discriminatory and seems to be against the justice spirit of Islam.

BUT what is at stake doesn't have to be understood as inheritance. If a non-Muslim dies and is survived by a Muslim close relative. The deceased either had a Last Will or not. If the deceased had a Last Will distribution is done by virtue of this Will, this is not inheritance according to Shari'ah, therefore by virtue of a Last Will of a non-Muslim it is permissible to a Muslim to take what is assigned to her/him in the Will regardless of its percentage to the total amount of estate. Please notice here that non-Muslims are not required to limit distribution through a Last Will to only one third because this requirement is again a Shari'ah ruling that doesn't apply to non-Muslims.

If the deceased did not leave a Last Will, the state Law decrees the distribution, regardless of what is it called in the state Laws, this is a giving by virtue of the law, why should we call it inheritance in Islam. It is not inheritance and it does not apply the rules of inheritance that are known in Islam. IT IS A DISTRIBUTION BY VIRTUE OF THE LAW regardless of what triggers the Law to do it (for instance, Canada distribute a certain acreage to people who migrate to northern Alberta, is this an inheritance from the state?). It is permissible to take this distribution regardless of what it is called in the state Laws.

For Muslims in America, the only way to enforce the Islamic inheritance Law is through Willed distribution (by a Last Will or better a Revocable Living Trust) In such a Will Muslims are prohibited to give any share to non-Muslim relatives (including non-Muslim wife) except through the one third that is assigned to non-heirs and permitted to be given to non-Muslims and to institutions and for distribution to the poor and needy through a Trustee.

3 - Is life insurance proceeds an inheritance? The argument against it is strong. because only the Tarikah (estate) can be inherited. But the Tarikah has a specific meaning in Islamic Fiqh: it is all properties that the deceased owned. It is then not necessarily equal the state laws' definition of "estate." In fact according to some states, I know it is in California, insurance proceeds can be left outside the estate by assigning a beneficiary or a trustee for the proceeds, consequently insurance proceeds go the beneficiaries or trustee tax free. **INSURANCE PROCEEDS WERE NOT OWNED BY THE DECEASED BECAUSE THEY ONLY EXIST AFTER DEATH** and upon presentation of a death certificate. If they were not owned by the deceased, it is then permissible for the owner of the insurance policy to name any beneficiary(ies) and the distribution of the proceeds doesn't have to follow the rules of inheritance. We have similar case in the Shari'ah that is the case of Family Waqf. You make a deed of a family Waqf and the distribution of its

revenues and its assets, if the Waqf is made for a given period, doesn't have to follow the same shares of inheritance. SINCE THE PROCEEDS OF THE LIFE INSURANCE OF YOUR DECEASED FATHER IS NOT INHERITANCE ANYWAY, WHY WORRY ABOUT INHERITANCE BETWEEN MUSLIMS AND NON-MUSLIMS?

4 - Gifts are certainly permitted between Muslims and non-Muslims, no limits what so ever. There are many reports that the Prophet, pbuh, has done that several times: giving gifts to non-Muslims and accepting gifts from non-Muslims.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

SUBJECT: Interest component of proceeds of life insurance - Continue

From: Monzer Kahf  
Sent: Sunday, March 16, 2003  
To: LatinoDawahNY@aol.com

Question

Thank you again for your most gracious and timely response to my question. If I may bother you yet again to just clarify some of the points you made. You stated that insurance that is not interest based is acceptable for Muslims. You also made a point that since my father was a non-Muslim he was not required to follow the rulings of Shari'ah. In addition you made it clear that life insurance is not exactly (according to Shari'ah) an inheritance. Therefore, I ascertain that you would call the amount left to me a gift. I understand that gifts can be accepted from non-Muslims. However, if the insurance is interest-based...am I only entitled to the portion of the gift that was not part of that interest or am I entitled to the entire amount regardless of its interest. This is the part I am unclear about.

I understand that life insurance is not an inheritance now and I greatly appreciate your time and effort. i just want to be certain that since it is a gift I needn't worry about the specifics of where it came from . Jazakallahu khair, Samantha

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Samantha

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

First, you are correct in summarizing the points.

The part you are sure is interest you should take it and give to Muslim charity; do not leave it to the insurance company. However, an interest component cannot, normally, be

part of the face value of the policy that is due upon death, it may only be part from the added amounts above the face value of the policy because some life insurance contracts give you an added amount, if the premiums paid were more than needed for the risk element required to maintain the face value of the policy. What I mean to say is that in most insurance policies there is no interest component in face value of the policy that is due upon death, while there is an interest component if an amount is paid to the insured after 20 years should he/she not die during this period.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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### IX. IN LEASING WHO PAYS FOR INSURANCE?

SUBJECT: Insurance of leased cars

From: Islam on line  
Sent: May 31, 2002  
Name of Questioner mahdi Gender Male Age 21-30  
Education Post Graduate Date Submitted 5/6/2002 Email  
country of Origin Morocco User Ref. No. BLW3S8 country of Res. Morocco

#### Question

assalamou aalaykou wa rahmato allah i want to ask you about leasing to particulars, i intend to buy a car this way, the car would be registered with my name, and i should take care if it as if it would be mine, including insurance. so please, is this kind of leasing allowed by Shari'ah? Thank you very much and salamou aalaikoum.

#### My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. mahdi

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

In leasing, the owner/lessor is always responsible to make the car available to the user/lessee in working conditions. This means that insurance, taxes and basic maintenance must be in principle the responsibility of the owner/lessor.

However, in leasing the two parties can determine the rental amount any way they choose, the rental may be in money e.g., a given monthly payment for certain number of months or a down payment at the date of the contract plus a monthly amount, and it can be a service such as you provide me with the insurance service according to certain

known specifications, or a combination of both. The reason is that in Shari'ah the rental amount must be known at the time of contract, and as long as it is known, it can be in kind (a commodity or a service) or in money.

Insurance can normally cover essential maintenance, not related to operation, i.e., all the maintenance responsibility of the owner/lessor. Further a great part of the insurance in cars relates to the user/operator and her/his style of driving etc.

The important result of this discussion is that in a leasing agreement insurance service and a down payment and a monthly payment for a given number of months can be combined together as being the rental amount. Hence, in my opinion insurance and taxes can be on the lessee provided this is mentioned in the contract of leasing the car.

The only remaining little issue is: are you sure the title of ownership of the car is going to be in your name and why? Because normally in car leasing, you are responsible for insurance and maintenance (usually the car is still under warranty from the manufacturer) but the title remains in the name of the lessor, this is the only security the lessor has against you. How come the lessors in Morocco give you the title? You may have mistaken the appearance of your name on the title as a user/lessee with having the title in your name!

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: In Equipment Leasing, who should pay for insurance?

From: Islam on line

Sent: December 17, 2002

Name of Questioner Atif

Gender Male

Age 31-45

Education Graduate

Date Submitted 11/27/2002

Email

country of Origin Pakistan

User Ref. No. 4YBQHG

country of Res. Pakistan

Question

Is Leasing allowed in Islam? I am willing to get some equipment for my factory on the terms of leasing. That is on rental basis. I have to pay a deposit of approx. 15% of the equipment value and then start paying rent for a period of 36 months. I will end up paying more money than it is actual value, but in installments. At the end of leasing period I will purchase the equipment from the leasing company on the residual value (usually the amount I paid as deposit). Thanks for your kind elaboration. Jazakallah

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Atif

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Leasing in general is permissible. The essence of the prohibition of interest is not the

fixation but the fact that interest is an increment in a loan. Physical assets can be leased at fixed rent for short and long periods of time, and they can be leased with purchase too. In leasing, however, major maintenance, taxes on the assets and insurance are all the liability of the owner not the lessee. But any such liability can be added to the rent (i.e., made a liability of the lessee) if its amount is known at the time of the contract. A major and very important condition in leasing is that the amount of rent and its due date must be known and determined in the contract.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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## X. INTEREST-BASED LIFE INSURANCE

SUBJECT: Interest-based life insurance

From: islamonlinenet@hotmail.com  
Sent: January 19, 2003  
Name of Questioner Emira Gender Age  
Education Date Submitted 12/24/2002 Email  
country of Origin User Ref. No. C95GVG country of Residence

### Question

Numerous western insurance companies offer attractive pension schemes whereby the client pays a certain amount of money annually, only to have the double of what he has invested returned to him in 25 years. I have inquired about the ways in which such firms multiply clients' resources, and have been told that they deal in safe investments such as real estate, infrastructure, etc. They also give loans to governments, but not to individuals. Would participating in such a pension scheme be Halal, and if not, what are the Islamic alternatives for securing one's retirement? Thank you.

### My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in  
Dear Sr. Emira  
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It seems that this is an interest-based insurance contract because it guarantees a given amount at the end of the contract. But I need more details before I give definite opinion on this contract.

Although I go with the view that accepts insurance if it is not interest-based, I have doubt about this arrangement. I will need from you either the exact basic features, i.e.,

obligations of the two parties or a copy of the whole document.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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SUBJECT: Interest-based life insurance

From: fatwae [mailto:fatwae@islam-online.net]  
Sent: January 22, 2003  
Name of Questioner shalimar Gender Female Age 31-45  
Education Post Graduate Date Submitted 12/26/2002 Email  
country of Origin Egypt User Ref. No. FEDC63 country of Res. Canada

#### Question

Is life insurance in Egypt is Haram if we pay 100L.E every month for 20 years. If some thing happened with in 20 years we will take them 25,000 if not we will take them 75,000. Is it Haram or Halal? It is a contract

#### My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in  
Dear Sr. shalimar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Insurance is in my opinion permitted if it is not mingled with interest. A life insurance contract that gives a definite amount after a number of years, if the insured survives, is interest based because this amount is equal to the part of the premium that is called investment premium placed at a given interest rate. This kind of life insurance is not permitted in the Shari'ah.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

## XI. ARGUING THE OPPONENTS OF INSURANCE

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SUBJECT: Objections to Insurance

From: Islam on line  
Sent: March 05, 2003  
Name of Questioner yasir Gender Male Age  
Education Post Graduate Date Submitted 2/27/2003 Email  
country of Origin User Ref. No. IPJMCV country of Residence

#### Question

Assalamu Alaikum, People have told me that insurance on anything is Haram. One of their reasons is that it interferes with the will of Allah (SWT), but obviously nothing can interfere with the will of Allah (SWT). Also as one of their reasons, they say that it is comparable to gambling and Riba. But in gambling there is a chance in losing one's money where the sole intention is enjoyment and the chances of gaining money. In Insurance, if an event does occur, you are guaranteed the reparations. As for being compared to Riba, when one pays for insurance, we are not investing money for the sole purpose of gaining money, but to safeguard our loved ones and property. Please shed some light on this issue. JazaakumAllahu Khair.

#### My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in  
Dear Br. Yasir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You did an excellent job in clarifying the differences, I will only add footnotes.

Those who claimed insurance interferes with the will of God did not understand insurance. It remedies some of the financial effects on an event or a hazard. This kind of misunderstanding is old and was answered by Umar bin al Khattab that "we escape from the will of God to the will of God"

Objection on the basis of gambling and Riba are also dismissed. However, the claim of Riba involvement is based on an illusionary exchange of money (the premium) for money (the payment) at a later date. But also the fact of the insurance contract is that it is an exchange of money for assurance of financial safeguard should a hazard happens. Insurance does not have an exchange of money for money unless in some forms of life insurance where part of the premium is placed at a certain rate of interest and accumulates to a certain amount payable at a future date. This kind of insurance is forbidden because of this Riba-based part. The claim of gambling is also refuted because the essence of gambling is Abath (vanity) i.e., you redistribute wealth on the basis of rolling a wheel of tossing a dice. Insurance is a very useful contract, especially in an age that has machines running in street, in air and on water, it is an age full with potential hazards.

The serious objection to insurance came from Gharar (ambiguity regarding essentials of a contract). Although insurance contracts are very clear and specific about describing the events that may invoke the responsibility of the insurer and about the size of extent of this responsibility, the contract cannot determine the date when it is due nor whether it going to be invoked to begin with. In other words, the contract cannot determine when a hazard happens or the extent of the hazard (what sickness and how much it takes to cure, or the

time when a fire happens and the extent of the damage, etc). Additionally, many insurance contracts cannot determine how many premiums the insured is going to pay, this is also Gharar. This Gharar on both sides of the insurance contract is essential in any and all insurances. Here we have two positions of most contemporary Shari'ah scholars. A group argues that since Gharar is essential in insurance we need to find out if insurance can be made where such Gharar is permissible. This group suggest that if insurance is structured as a cooperative or mutual insurance, the Gharar becomes permissible provided the premium is paid on the basis of contribution (Tabarru') because Gharar is not permissible in exchange contracts while in contracts that are based on Tabarru' it is permissible because Tabarru' is only a giving from one side to another. They continue that in Tabarru' you may stipulate certain conditions that may benefit you. For instance, Uthman bin Affan made a Waqf (Tabarru') of the Well in Madinah and he made a condition that he can get water from it like any other Muslim household. This Group suggest that whence insurance is restructured on the basis of cooperation/mutuality and Tabarru' the Gharar can be overlooked/tolerated (notice, that it is certainly not eliminated nor reduced) because Gharar is tolerated on contracts based on Tabarru' and conditions are permissible too. This is the foundation of what is called the Islamic insurance. The late Shaikh (died July 1999) argue that we don't need this route because of the following:

- 1- The amount of Gharar in insurance is not big to the extent that line up people on the doors of courts, it is tolerable and he gave many examples from Shari'ah approved ancient contract such as contract of road safety (you take this road for your caravan and I guarantee you for its safety. Notice it is almost the same insurance contract).
- 2- The condition in a Tabarru'-based insurance makes the contract an exchange contract between the cooperative and any member, so you go back to Gharar in exchange.
- 3- The contact is very useful rather it is necessary in our age.
- 4- The insurance contract is in fact based on cooperation because it can only work if you can recruit for it a large number of insured (policy holders) because its actuarial system only works on large numbers, therefore, if it can be taken as a cooperative what is the harm in someone bringing these too many people together and making this her/his business to make profit, it is still cooperative in essence.
- 5- People in each age and time invent contracts that suit them and rule is if there is no violation of any Shari'ah axiom such new contract must be acceptable. In the past people invented a system of 'Aqilah (if someone hurts another unintentionally the financial compensation that should be paid to the injured must be collected from all male relatives (in the whole clan) of the injurer. Now people invented insurance for their needs and it violates no principle of the Shari'ah.

Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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