

FATAWA INSURANCE 2003

Insurance - General

From: Monzer Kahf
Sent: Monday, January 12, 2004 6:10 PM
To: Taicir
Subject: a fatwa on Insurance

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. Taicir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I argue that insurance is permissible provided the contract itself is not interest-based; and this is one of the types of insurance that is permissible. Yes, I received this question before.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Taicir
Sent: Monday, January 12, 2004 3:33 PM
To: Monzer@kahf.net
Subject: a fatwa

Assalamu Alaikum dear Dr. Kahf

I was asked about a matter that I couldn't answer. I bet you heard about it and you had already in it a clear thought.

There is that type of insurance for mortgage: If the person buys a house through the bank, he can make a deal with an insurance company, so this company will pay the bank the remaining of the house cost, in case of the buyer's death, meanwhile the buyer as long as he lives pay the insurance company a monthly share.

Do you see that this type of insurance lawful? and why?

Juzita Khairan

Taicir

From: Monzer Kahf
Sent: Monday, October 27, 2003 8:49 PM
To: Islam on line
Subject: RE: Life & Disability Insurance

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. Abdul hamid

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

As usual on many new issues, there are opinions! I go along with the view of the late Shaikh Mustafa al Zarka that insurance, of all kinds and by whoever provides it is permissible as long as the contract does not contain a basic interest clause. regular or whole life insurance is usually interest based with regard to the investment part of the premium and the payment of a lump sum after certain number of years. Other kinds of insurance are not interest based.

There are scholars who consider it permissible only if it is offered by mutual or cooperative organizations and the premium is paid as a donation to the org.

There are also people who argue that insurance is prohibited.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Saturday, October 25, 2003 7:39 AM

To: monzer@kahf.net

Subject: Life & Disability Insurance

Name of Questioner Abdul hamid Gender Male Age 31-45

Education Graduate Date Submitted 10/21/2003

country of Origin South Africa User Ref. No. UHE764 country of Res. S A

What current position is Shari'ah compatible regarding life insurance and disability insurance? Shukran

From: Monzer Kahf

Sent: Wednesday, September 17, 2003 10:33 AM
To: Islam on line
Subject: RE: Insurance in schools

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. ABDELKAREEM

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If you work in Ohio then your country of residence is the USA not Jordan. We are not asking about legalities we ask about where you live because that may affect the Fatwa. You know certain issues apply in certain localities but not in others.

The life insurance offered by your school is "term life insurance." It doesn't contain any interest in its contract. It is permissible. This is the Fatwa of the late Shaikh Mustafa al Zarka (died July 1999) that I support and argue for. Beside being the greatest Shari'ah Scholar of his time, the Fatwa is based on solid ground of understanding both the insurance (many of those who oppose it do not even know what insurance is, very often you hear the word that life is in the hand of God how can you insure it?! life insurance as you rightly said pays an amount in case of death, it does not insure life!) and the general objective of Shari'ah in addition to its similarity to ancient contract that are known in Shari'ah for centuries. There are people who say insurance is forbidden and there are people who argue that only mutual insurance is permissible. The Zarka opinion is that if the contract is not interest base and the object of insurance is permissible (e.g., insuring a shipment of liquor is not permissible), insurance is permissible, be it life, car or any other incidence.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Wednesday, September 17, 2003 2:27 AM

To: monzer@kahf.net

Subject: Insurance in schools

Name of Questioner ABDELKAREEM Gender Male

Age 31-45

Education Graduate Date Submitted 9/9/2003

country of Origin Jordan User Ref. No. 8WPDKC country of Res. Jordan

ALSALAM ALUIKUM, I WORK FOR AN ISLAMIC SCHOOL IN COLUMBUS, OHIO, IN THE USA, AS A TEACHER. THE SCHOOL OFFERS LIFE INSURANCE IN WHICH I DO NOT HAVE TO PAY ANYTHING TO IT BUT THE SCHOOL DOES. THE INSURANCE IS 15,000 DOLLARS, TO BE PAID TO MY FAMILY AFTER MY DEATH. SO I WOULD LIKE TO KNOW PLEASE IF IT IS HARAM OR NOT TO DO THIS. JAZAKUM ALLAH KHAYRAN, WA ALSALAM ALUIKUM

Notes

SHOULD YOU NEED FURTHER INFORMATION PLEASE LET ME KNOW AS SOON AS YOU CAN.

From: Monzer Kahf
Sent: Thursday, September 11, 2003 1:04 PM
To: Islam on line
Subject: RE: Money Received from Life Insurance Policies

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. Abdul

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

There are people who say that insurance is forbidden and any money you get from it is not Halal.

The late Shaikh Mustafa al Zarka believed insurance, including life, is permissible and Halal. According to his opinion the money you get from the policy is permissible. (there is one kind of life insurance that is Haram when the company pays you the amount of the policy while alive because this amount will be the investment premiums plus their compound interest.

Insurance is a very useful contract that, when it is not based on interest, does not violate any Shari'ah principle. I go by this opinion of the late Zarka (circa 1999) who was the undisputed most respected Shari'ah scholar of our time.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Thursday, September 11, 2003 3:47 AM

To: monzer@kahf.net

Subject: Money Received from Life Insurance Policies

Name of Questioner Abdul

Gender Male

Age 21-30

Education Graduate

Date Submitted 9/1/2003

country of Origin U K

User Ref. No. LSBC29

country of Res. U K

as-salaam-Alaikum My father passed away recently. He had a number of life insurance policies and an endowment policy which has paid out on his death. I will receive some of this money as inheritance. Is the money Halal? I have been told that I can only take the amount he has put into policies and the rest must be given away? If this is true does each policy have to be treated separately. For example there are 2 policies: With policy A we get less than what my father put in and policy B where the money we receive is more than my father put in. Can we take money from policy B to fill policy A? Also what if I can't establish exactly how much he put in? May Allah (swt) reward you Jazak Allah Khairan as-salaam-Alaikum

From: Monzer Kahf

Sent: Wednesday, August 13, 2003 6:43 AM

To: Islam on line

Subject: RE: Insurance

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. sanan

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Insurance is a contract between a company and an individual according to which the individual pays an amount called premium once a year, on installment or as a lump sum and the company pays a given amount or provide a given service, like repairing the car or providing medical services, in case an incidence happens such as illness, car accident, fire, earthquake, death, etc. There are different kinds of insurances as much as there are hazards. Hence, there is car insurance, medical insurance, shipping insurance, transportation insurance, fire insurance, theft insurance, employment insurance, death insurance (to appear nice it is called life insurance) and insurances of all kinds of hazards.

Insurance is based on the theory of probability and past statistics. For instance we know that in a given city, the chance fire and other hazards that may affect building is so much per thousand and the average cost of repairing is a certain

amount, and if we insure ten thousand houses and collect certain premium from each we can pay compensation to all hazards that may happen in a given period and still have some profit for the company in addition to its operating expenses.

There are different ways of offering insurance. It can be offered by companies that seek to make profit as any other business venture and it can be offered on a mutual or cooperative basis whereby the concerned persons make a kind of association to offer insurance at cost.

You notice that insurance has nothing to do with interest. Yet certain forms of life insurance offer an interest-based saving plan along with insurance in one package, so they tell you if you do not die we will give a certain amount after 20 years. in this case the premium is actually divided in two parts one for saving that will make that amount paid after 20 years at a given rate of interest and the other part is called risk premium that will be applied to the insurance itself. The part that contains interest is obviously forbidden.

There are two main opinions among Shari'ah scholars on insurance: permissible or not. Those who prohibit it found their opinion on the point that the company does not know when an incidence will happen and does not know its cost. this kind of ambiguity renders the contract invalid according to this group. Others argue that since it is very useful and rather necessary in many instances and this ambiguity is not the kind that may lead to litigation because the incidence upon which it is suspended is well described the contract is then permissible.

I tried to give a non-sophisticated answer so that every non-specialized reader can understand it. but if you are interested in more detail please either write me again or make some reading on the subject, there are many books in all languages.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Monday, August 11, 2003 11:44 PM

To: Monzer Kahf

Subject: Insurance

Name of Questioner sanan Gender Male

Age 21-30

Education Graduate

Date Submitted 8/4/2003

country of Origin Pakistan

User Ref. No. 3C94IV

country of Res. Pakistan

Assalamu alaykum scholar I want to ask in details what is the function of insurance is hall or harm and interest is include in the amount of insurance policy

and please tell me background of the insurance thank for this web sits
www.islamonline.com that give us more information about Islam

From: Monzer Kahf
Sent: Thursday, June 26, 2003 8:12 AM
To: Jessica
Subject: RE: inheritance of insurance mutual funds

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. Jessica
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I am answering to your two emails together.

- 1) I don't know about the availability of the Dow Jones Islamic Index Fund in Canada.
 - 2) Amana funds also say they follow Islamic rules, they put their own rules that do not always coincide with the rules of the Shari'ah board of the Dow Jones that is headed by Shaikh Taqi Osmani.
 - 3) Insurance, life and others, is permissible according to the opinion of very prominent scholars. Others say all insurance, health and others are not permissible because they contain ambiguity as to the day an amount is due from the company (because you don't know when an incident is going to happen). I go along with the first opinion that is shared by the late Mustapha al Zarka (died in 1999 and was recognized as most knowledgeable Shari'ah scholar in the world) and the late Maududi and others.
 - 4) Ethical funds usually contain heavy investment in the banking and finance sector and in companies that have high percentage investment in interest such as General Motors that owns Citibank and American Airlines. The reason is that today's Christian ethics does not find interest any thing bad, although it was bad in the bible. This means that the ethical funds do not coincide with the Islamic criteria on the matter of interest. They may also invest in the film industry that is mostly unacceptable in the Shari'ah.
 - 5) In Canada you have the option to invest in the Islamic Housing Cooperative (find it on the internet with ISNA Canada. The rate it was giving is really good.
 - 6) Most people above 50 in the US and Canada know me, I left the North American Islamic gathering for the period I worked in Jeddah as a Senior research Economist in the Islamic Research and Training Institute from 1985 to 1999.
- Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam

Sincerely,
Dr. Monzer Kahf

Question:

From: Jessica
Sent: Wednesday, June 25, 2003 8:12 AM
To: Monzer Kahf
Subject: RE: inheritance insurance mutual funds welfare

Assalamu Alaikum Dr. Kahf,
I just wanted to let you know that I tried looking up the Dow Jones Islamic Index Fund--the web site mentioned that this is only available to residents of the United States (I live in Canada). The web page is also being recreated.
However, I did find a group called AMANA (the symbols are AMANX and AMANG) They make arrangements for Canadian and international investors. But are Ethical Funds listed in the IMANX? I'm asking because it seems from your answer in your previous email that I won't be able to invest in most mutual funds that are available here in Canada. The only exception being Ethical Funds--but I think I saw something on a Muslim investment web site that explained to exercise caution even with these ones.
Which funds are listed in the IMANX? I'm asking because there could be Canadian equivalents. Thank you very much Dr. Kahf. I'm sorry to keep bothering you--but I just want to make sure that I do any sort of investing correctly. :)
Wassalam
Sr. Jessica

From: Jessica

Assalamu Alaikum Dr. Kahf,
This is Sr. Jessica
Sorry to keep on bothering you, but I really appreciate all of the information you are giving me--May Allah reward you :)
The mutual funds my husband and I were thinking of investing in are called "Ethical Funds". Ethical Funds mean that our money will NOT go to things such as: tobacco, alcohol, firearms/weapons or child labor. We would NEVER invest in any company that sells Haram things or promotes exploitation of any kind. I am glad to know that it is ok for me to keep the portion of life insurance money that my mother left for me. It was suggested to me by one scholar here in Toronto that I use the money to pay off any interest bearing loans I have or to give the money away to non-Muslim charity causes--that I should not use the money to "benefit" myself in any way. But I found this argument strange because--paying off debts does benefit us. In Islam we're told that we should try to stay out of debt as much as we can--especially interest bearing debt.

However, I noticed that many Muslims here in Toronto are not familiar with your name or with what you do--maybe that's why I got some conflicting answers about my mother's life insurance?

I do have one thing that I have been promoting to my Muslim friends. My husband and I don't deal with a regular bank--we use a credit union. The one we use is excellent. For a regular checking account--they do not give any interest (Riba). Also, the service is wonderful--since Sept. 11 my husband and I received terrible treatment at regular banks. When we switched to the credit union---we've been treated with a lot of respect.

But Dr. Kahf, is it Halal for Muslims to take out life insurance? The only reason I would be to help my family pay for funeral expenses and any debts I leave behind after my death. My husband has life insurance--but that's part of his health and benefits package that he received from his employer.

Thank you very much Dr. Kahf. I have been letting Sheik Ibrahim Malabari from Jami Mosque know about the information you've been giving me--he's been quite curious too.

Have a great day.

Wassalam

Sr. Jessica

From: Monzer Kahf
Sent: Wednesday, June 25, 2003 6:18 AM
To: Jessica
Subject: RE: inheritance, insurance, mutual funds and welfare

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. Jessica

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Yes, you put perfectly right. It is a gift from non-Muslim -by will or by law- and it is a beneficiary's right not inheritance because it was not owned by the deceased.

One more YES for welfare and scholarships as long as one does not lie to the welfare agency. It is an assistance you deserve as a resident/citizen of the country from the government budget, it is Halal/permissible to take. It is not permissible to give false information because that is a lie.

Investment in mutual funds is a big question. Mutual funds are pools of money managed by a manager who invests in stocks and bonds. There are a few funds that specialize in stocks and others in bonds. Investment in bonds is forbidden because they are plain interest-based loans. Investment in stocks makes you part-owner of the company. If the management of the company deals with interest or

other prohibited activities (e.g., taking loans from banks and depositing on interest in banks, owning a casino or a wine brewery) it does that in the name and on behalf of all partners. In other words, as if you did it yourself because the management is the agent of owners. It is forbidden for any Muslim to undertake such prohibited activities. Consequently the principle is that it is forbidden to invest in stocks of companies that sometimes deal in Haram although their main line of business may be permissible. This is the view of the OIC Fiqh Academy. Some Scholars argue that this puts many Muslims like you and me in great inconvenience because they cannot invest for their own selves and this might be the only way they can invest their savings. To remove this kind of great inconvenience they argued that if such deals make only a small part of the activities of the company it is then permissible to invest in its stocks provided you give away for charity the part of the gains that you estimate it has come from un-permissible activities. This minority group put forward a few criteria to assure that the forbidden deals are really a small portion of the company's activities. On the basis of these criteria the Dow Jones company started in February 1999 publishing names of companies that fit these criteria and a series of Islamic market indexes.

Investment in these companies is permissible according to the view of this minority.

To my knowledge there is only one fund in North America that follows these indexes it is called the Dow Jones Islamic Index Fund (its symbol is IMANX, you can check it on the internet). There are several other small funds that invest in stocks within the list of the Dow Jones Islamic market indexes, i.e., they invest in stocks that are permissible according the minority's view. In the Middle East and Malaysia there are more opportunities for funds that invest within these limits. You must keep in mind that trading and owning stocks of companies that are committed to follow the Shari'ah rules, such as Islamic Banks, is unanimously permissible. There are very few companies in this category and non of them is listed in any Western stock exchange market. Also buying, owning and selling stocks of companies that deal essentially in Haram such as conventional banks is agreeably not permitted.

Did I not confuse you yet? In Summary, almost all mutual funds available in the US and Canada, except about 4 or 5, do not limit their investment to stocks within the DJ Isl. List. Investment in such mutual funds is even according to the minority is not permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Jessica

Sent: Tuesday, June 24, 2003 7:42 AM

To: Monzer Kahf

Subject: RE: Question

Assalamu Alaikum Dr. Kahf, this is Sr. Jessica

Thank you very much for replying to my question. However, I just want to be 100% sure understood what you explained in your letter. Since my mother was not a Muslim and I am a Muslim, then I am not considered an "heir" in the sense of Islamic law---but I am considered a "beneficiary".

Since I am a "beneficiary" then the portion of my mother's life insurance policy (however large or small) is to be considered a "gift" or a "present" that I can use in whichever way I wish.

Do I understand this correctly? Please do correct me if I'm mistaken. I was also wondering. Is it permissible for me to invest in Mutual funds? I spoke to my financial

planner and he mentioned that not all mutual funds deal with interest (Riba).

You mentioned in your email something about welfare and scholarships. Is it Haram for Muslims to apply for welfare if they I applied and received a bursary from my college to pay for special equipment I need (I'm disabled). Bursaries are like a gift--there's no interest and you don't need to pay the money back.

Thank you very much Dr. Kahf I appreciate your time. Keep up with the great work.

Wassalam

Sr. Jessica

From: Monzer Kahf
Sent: Sunday, June 22, 2003 11:37 AM
To: Ahsen
Subject: RE: Insurance

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. Ahsen

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

please see my answers down

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Ahsen

Sent: Sunday, June 22, 2003 10:31 AM
To: Monzer Kahf
Subject: Insurance

In the name of Allah, Most Compassionate, Most Merciful

Dear Dr. Kahf,
Salam Alaykum,

From an intuitive perspective, your views on insurance seem plausible. Although, I would like to receive your views on the following points regarding insurance: 1) Religious 2) Scientific.

1) Insurance in any form seems to me to be an attempt to safeguard against the Will of Allah. We pool our money because we fear an accident or disaster will cause us to lose our property and therefore make us poor. Allah says in the Qur'an again and again that He bestows His bounty on whomever He wills. So shouldn't we just trust in Allah that nothing will happen, or that if something does happen, He will grant us the means to recover from it, or the patience to accept it?

This is not the Islamic concept of understanding the will of God. It is a Hindu and ancient Christian concept. The Islamic one is based on escaping from the Will of God to the Will of God as Omar the second Khalifah put it when he was asked why do you escape from the land that was plagued with a contagious disease. Insurance is also a will of God. When a Bedouin came to the prophet, pbuh, and left his she camel untied and told the prophet that she is under the Will of God and he depends on God. the Prophet, pbuh, told him: hold it tied to the post and then depend on God.

2) From a more worldly viewpoint, insurance companies do more than just take compensation for managing people's money. They calculate the probable risk of a proposed client (through past statistical data), reject those that have too much potential risk and charge the clients they do accept a premium that is far out of proportion to either the risk they assume or the work that they do. In fact, the fewer claims they have to pay, the less work they do, and the more money they make. If any customer files too many claims, the insurance policy will not be renewed by the company. The insurance company virtually guarantees that it will make money by only insuring low-risk customers and charging them a disproportionate premium. If anything unexpected like the September 11 attacks happens, they lobby the government to limit their liability, rather than pay out the claims which they are supposed to.

This is incorrect and it only happens when there is no competition. Notice that the insurance companies are not the highest paying dividends nor the best return giving on capital. It happens to a larger extent today with Islamic insurance companies because they don't have competitors in most of the countries they are in. It is true they estimate the risk they carry and this is very legitimate business.

If you make a cooperative insurance do you think we are going to accept any body that knocks at the door? how about a reckless driver who is a high risk? why should accept him and why should he expect to be accepted? we'll certainly tell him go and improve your record and correct your driving habits then come for insurance. . . Islamic companies do the same if they are smart. unfortunately most Muslim countries do not have actuarial studies of their own and Islamic and conventional insurance companies in these countries use European and American studies that do not represent their societies.

We do not agree with many of the American corporate values of inhumane money making and all moral persons from all religions and non- religions stand on our side in this. But that doesn't mean the we are blinded by this disagreement to an extend that we do not sense where is the real illness. It is not in the idea of insurance, it is the loopholes in the system and the moral vacuum within which corporate America lives.

If the idea of safeguarding against the misfortunes of life is acceptable, then it is conceivable to design an Islamically acceptable insurance system, including the compensation of one or more administrators. Those administrators, however, should be paid based on the amount of work that they do, which is not currently the case. I honestly do not see how simply removing the element of interest from the current insurance system would make it acceptable, as it collects much more money than is needed to pay the claims, and more than is fair for the amount of work that they company does.

Please share your thoughts on this issue with me.

With prayers,

Ahsen

Life Insurance

From: Monzer Kahf
Sent: Sunday, November 30, 2003 8:21 AM
To: Islam on line
Subject: RE: Life Insurance Policies

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. Rizwan

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Insurance companies invest their money and do not keep it idle. laws and governments usually make restrictions on what insurance companies can invest in. Normally most of their investments are in treasury bonds and other interest-earning secured instruments. This applies to both types of policies participating or non, whole life or term life and any information an insurance representative may otherwise give you is not accurate!

However, In participating policies, you will have to be sure that what you are participating in is permissible or not from the Shari'ah point of view. Hence, if you place a Mudarabah deposit in a conventional bank the earning you get is not permissible because you are sharing interests earned from the uses of your money, although the Mudarabah contract is permissible and its profit is under normal circumstances Halal,

When you do not participate in the business of a depository like an insurance company, what matters is the essentials of the contract you have with it. Therefore, If these essential are compatible with the Shari'ah such a relationship is labeled permissible.

In brief (and for details please read about the issue in my website www.kahf.net under Fatawa - insurance), insurance contains an element of ambiguity (not gambling) that is called Gharar, but the amount of this Gharar is tolerable according to some scholars, according to them, term life insurance is permissible because the contract does not contain any interest element.

Some other scholars argue that this amount of ambiguity is not tolerable, this makes the contract prohibited. According to this group of Scholars, mutual insurance if the premium is given on the basis of contributing to the pool of funds (in contrast to being paid in an exchange contract) insurance becomes permissible although the amount of Gharar is still the same because the contract becomes a kind of cooperative/contributory contract and in Contributions (Tabarru': donation) Gharar is overlooked because a contribution/donation is a loss to one party and a gain to another (in contrast to give and take in exchange contracts).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Sunday, November 30, 2003 4:24 AM

To: monzer@kahf.net

Subject: Life Insurance Policies

Name of Questioner Rizwan

Gender Male

Age 31-45

Education Post Graduate
country of Origin India

Date Submitted 11/18/2003
User Ref. No. EC3AF5 country of Res. India

Dear Scholars, Assalamu Alaikum I have a question regarding Life Insurance policies. The companies operating in India offer two kinds of policies 1. Participating Policy and 2. Non-Participating Policy Their essential difference lies in their respective premiums and bonuses. While a Whole Life Participating Policy is eligible for bonuses two years after it comes into effect, a Whole Life Non-Participating Policy is not eligible for bonuses. According to the company representatives the government has made it obligatory for the company to maintain separate accounts for each type. The money from the participating policies is invested in interest bearing instruments hence is Haram according to various fatwa's I have read on this site. I am interested in finding out the status of a particular type of non – participating policy called term life insurance. These policies earn no bonuses or premiums. The money collected is not invested by the company and held in a separate account. Let me illustrate using an example. If I purchase a term life insurance, for a sum of 1000,0000 Rs for 10 years. I will pay a yearly premium of 4000 Rs. My family will get the insured amount if I die during this period If I am alive at the end of this period then I don't get back anything. Couple of points I would like to make keeping the various other Fatawa I have read on this and other websites • The amount pooled by the company is held in a separate account and is not invested at all. I think the account earns a minimum interest which adds to the companies profits. However, the company representative maintains that it earns no interest. • The more money I have the more I can get myself insured for. So the rich get more and the poorer get lesser depending on the premiums they pay. • I feel there is an element of gambling involved since the company is using probability and statistics etc in coming up with the premiums etc. and to remain profitable. Please let me know your opinion regarding this. A detailed answer will be appreciated Jazak Allah Khair

From: Monzer Kahf
Sent: Wednesday, September 24, 2003 6:58 AM
To: Islam on line
Subject: RE: Whole Life Insurance policies

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.

I think you got the Fatwa right, and it is still as it was!. If accumulated premiums are invested in permissible stocks and what is paid on them is a profit, the

reduction in future premiums becomes permissible and this kind of whole life (provided it has no other interest-based accumulation) becomes permissible. Please notice that if interest is variable and determined periodically or if it is called dividends, it remains interest and remains prohibited. Also notice that normally whole live insurance is based on placement of the "investment part of the premiums on compound interest. can you get more information on this specific whole life and send it to me please.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Tuesday, September 23, 2003 2:24 AM

To: monzer@kahf.net

Subject: Whole Life Insurance policies

Name of Questioner Mohamed Gender Male Age 31-45

Education Graduate Date Submitted 9/15/2003

country of Origin User Ref. No. PZB8US country of Res. U S

Insurance financial transactions Question. Assalam Alaykum: Are Whole Life insurance policies permissible? where the annual premium is reduced by the amount of dividends received on the accumulated premiums. The dividends are determined periodically by the insurance company and are not considered interest. I believe that in prior Fatawa, your scholars have determined that Term Life policies are permissible, and Variable Value Life would be if the premiums are invested in permissible stocks or mutual funds.

Working in Insurance Companies and as Actuary and/or Statistician

From: Monzer Kahf

Sent: Monday, December 29, 2003 7:19 AM

To: Islam on line

Subject: RE: Working as Actuary, Statistician and C.A

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.

I pray to God the Almighty to remove your confusion and set you on a track that is right and growth oriented to you and your family. You know that Islam like any other religion always look at equipping people with moral standards and values that help make life better and more fulfilling to the person and to the society as well. Moral standards are always demanding in a sense that they impose on the person a set of "do and do not," in order to produce the way of life that is nourished by the religion. God, The Exalted in Praise and Might, only ordained the "good" and forbade the "bad." [the Qur'an 7:157]. This religion is consistent in its pursuit of the moral values this implies that what is prohibited to do is also prohibited to offer or sell. Yet, we must look at the prohibitions in a strict way so that we do not expand on the prohibition beyond what is stated in the texts and rules of Shari'ah. I don't think that prohibitions are large and as covering as you thought in your question.

Hence, while the prohibition of drinking alcohol requires a prohibition of producing and selling it and the prohibition of interest requires also a prohibition of writing interest-based contracts or being a witness to them, working in companies that produce or do things that are mixed (some permissible and some not permissible) is not forbidden as long as one can avoid doing any forbidden thing.

For instance, actuarial, certified accountant and statistician professions are not forbidden at all because there are no forbidden components in these professions. Also working for an insurance company or for a bank in areas that are not forbidden is permissible because banks and insurance companies undertake activities that are prohibited (interest based) and activities that are not (insurance itself is permissible if the contract is not interest-based and the insured is permissible, i.e., it is not permissible to insure a shipment of liquor).

There are people who believe that insurance is itself prohibited, I think that is incorrect. But according to these people working in an insurance company becomes also forbidden.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Sunday, December 28, 2003 2:38 AM

To: monzer@kahf.net

Subject: Working as Actuary, Statistician and C.A

Name of Questioner Muslim Gender Male Age 15-20
Education Date Submitted 12/14/2003
country of Origin User Ref. No. 8CNL6U country of Res.

Assalamu alaykum dear scholars. I am confused about my life. I inSha'Allah will attend university next year. I want to major in math but I look at the careers in math and they are all Haram except for teaching. What is wrong with being an Actuary? Or a Statistician? Or a C.A.? Why can't we work for insurance companies? may Allah reward you.

From: Monzer Kahf
Sent: Wednesday, November 26, 2003 8:18 AM
To: Muhammad
Cc: usuf
Subject: YOUR ADVICE IS NEEDED ON INSURANCE

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 and Eid Mubarak to you too. May I begin with the last note on profit sharing. You know it is not sufficient that a company distributes variable return to make it permissible. There are two more conditions: 1) the contract must be based on de facto ex post return that is the variability is not in a loan based- relation but rather is in an investment (Mudarabah) based relation that makes the distribution of profit as a percentage of realized profit and losses on capital (no guarantee of principal); and, 2) the use of funds must be Halal. This means that even if the contract is Halal between partners their investment must be in permissible activities. Do conventional insurance companies in India invest their money in government bonds and other interest-based assets or in permissible business and trades?

However, the previous point is, in my opinion, immaterial. I take the position of the late Shaikh Mustafa al Zarka that insurance is merely an exchange contract (therefore it doesn't matter to it what the companies does with its other relationships) that is new, useful (and sometimes necessary), does not violate any of the general tenets of Shari'ah and it has similarity in the past, contracts that are recognized in Fiqh although they are based on risk. Besides it is actually based on cooperation in reality although this cooperation is brought about by a business venture, the insurance company; it is for all these reasons is permissible.

I add that it is rather necessary in the case of India where the risk on life and property of Muslims is higher than many other areas. I believe that the Fatwa for

India must be that taking insurance is an obligation with regard to community properties such as mosques and highly encouraged for individual Muslims. Consequently, working in selling property and life insurance to Muslims is not only Halal but also recommended and rewarded InShaAllah. Additionally, why aren't Muslims in India able to establish Mutual insurance companies and use the same facilities of reinsurance that is available to other companies? (you know there is a Fatwa about conventional reinsurance because of the natural need of the business). Mutual insurance is normally easy to establish and is a win/win case for the founders. The model is creating a company that manages a pool of insurance and charges the pool a price for its managerial services.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Muhammad

Sent: Sunday, November 23, 2003 9:25 AM

To: monzer@kahf.com

Subject: Fwd: YOUR ADVICE IS NEEDED

Salam and Eid Mubarak

I forward this since you are an expert on insurance as well as on Fiqh al aqalliyat.

M.

From: usuf

To: Muhammad

Subject: YOUR ADVICE IS NEEDED

Date: Sun, 23 Nov 2003 07:51:00 +0000

dear Muhammad sahab

Assalamu Alaikum

dear sahab

is it permissible for a Muslim to work as development manager in an insurance company. keeping the condition of Indian Muslims the risk element attached to their lives and properties and no Takaful here. can I go and sell them financial security. Indian Muslims have lot of misconception about insurance and ulemas few of them add to it. your advice is needed and all the conventional insurance contracts in India are based on profit sharing model because the return on the investment is not guaranteed. your advice is awaited Allah hafiz. yusuf

From: Monzer Kahf

Sent: Monday, June 09, 2003 7:02 AM
To: Islam on line
Subject: Making Appointments for People Contacting A Health Insurance Agency

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. Muslimah
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Health insurance business is not Riba-based. Please be assured of that.

Insurance business, all of it, i.e., insurance contracts between an insured and an insurance company/agency is controversial. Two main opinions about it among the Shari'ah scholars: 1- It is forbidden because it contains ambiguity (Gharar) since it has unknown obligation on the part of the company (you don't know at the time of contract what will happen to the insured, when it happens and the cost of it), Scholars of this view argue that if insurance is conducted on cooperative basis the ambiguity will be overlooked because cooperation is contributory by nature. 2- the second opinion is that all kinds of insurance are permissible provided they do not have Riba and the subject of the contract is permissible (e. g., insuring a shipment of liquor is forbidden). Only certain life insurance contracts contain Interest, other insurances (health, hazards, cars, shipping, etc.) are not interest-based. The basis of this opinion is that it is a useful new contract that does not violate any of the tenets of Shari'ah, it has precedents of similar permissible contracts in the classical Fiqh, the amount of ambiguity in it is tolerable especially that insurance companies formulate their programs on the basis of the actuarial studies (on the theory of probability), hence when dealing with a large number of insured statistics replaces the knowability of incidences of insured hazards. I go with the second opinion.

In brief I believe your working in such a company/ agency is permissible and your income from it is Halal InShaAllah.

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

Question:

From: Islam on line
Sent: Monday, June 09, 2003 4:01 AM
To: Monzer Kahf
Subject: Making Appointments for People Contacting A Health Insurance Agency

Name of Questioner Muslimah Gender Female Age
21-30
Education Graduate Date Submitted 6/5/2003
country of Origin U S User Ref. No. 68KH WX country of Res. U S

Assalam Alaikum Wa Rahmatullahi Wa Barakatuh Bismillah Dear Learned Scholar, Thank you so much for all of your efforts as this site has helped us so much. Alhamdulillah! My question is regarding financial matters. I have been offered at job from home, which we know for Sunnah is better for the woman to stay at home then to work outside. This job entails making appointments for people who have contacted a local health insurance agency and are waiting for a reply. I would be only making appointments and faxing the appointment times to the head of this particular office. I have read Fatawa on this issue and remain still dumbfounded as I cannot find a clear answer. I wont be signing contracts, nor witnessing them, and I really am not even sure if this company is Riba based. I would like to know, if I can do this job, and two, if that depends on if the business is Riba based, how do I find that out for myself, as the boss is Muslim and if I ask him and he knows it is Riba based it will make problems for my husband as they are long time friends. Really my husband and I don't want to take money that isn't Halal...Thank you so much in advance for your help. Barakallahu feek!! Jazakallah Khairan!!

From: Monzer Kahf
Sent: Monday, May 12, 2003 7:38 AM
To: Islam on line
Subject: RE: Selling Credit Cards, Insurance, etc. on Phone

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.

Credit cards of conventional banks and financial institutions (I'm only excluding credit cards issued by Islamic banks) are prohibited to issue because they include a Riba condition in case of failure to pay within the grace period. Selling the prohibited cards must be equally prohibited because sale is actually part of issuance. Insurance is not the same as insurance is not agreeably prohibited. One kind of life insurance is unanimously prohibited. It is the interest based kind. other insurances (hazard, cars, health, etc.) are controversial. Some believe in their prohibition on the basis of Gharar and some argue that whatever Gharar that is in them is tolerable because it is not more than what is usually tolerated in similar contracts that are known in Shari'ah. I go along with the second view.

Consequently, except for the interest based kind of life insurance selling insurance is permissible. Selling products than contain porno, drinking alcohol or eatable pork ingredients is prohibited. If your job does not require you to personally sell any prohibited substance, what you do in it should then be permissible and you do not need to change it. But living in a Muslim country, I am sure you can InShaAllah find other jobs if your present work requires you t sell prohibited substances

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Sunday, May 11, 2003 12:05 AM

To: Monzer Kahf

Subject: Selling Credit Cards, Insurance, etc. on Phone

Name of Questioner

Gender

Age

Education

Date Submitted 5/6/2003

country of Origin

User Ref. No. JR4B9

country of Res.

Assalam-o-Alaikum! Dear Brother, I am a Muslim living in a Muslim country. I work in a "call centre". Only if you don't know, it's a centre for telemarketing. It's based in a Muslim country and I am an employee there. As we sell products on phone, the product range might include any item available in the (Non-Muslim)market of USA, as we deal with them. So, we will have to sell things like credit cards, insurance etc. or our service for insurance companies, brokerage houses etc. It might include other Haram items that might get into list later on. Is it Halal to sell these items or not, and should I resign if it's not? Could it be the case that I stay there and subtract the portion of my salary that I earn through sale of Haram items but keep it from Halal? I have no other job in queue so I shall have to wait in case I leave this. N.B I have some basic knowledge of Fiqh so please don't hesitate to mention the rules. Jazak-Allah! Wassalam!

From: Monzer Kahf

Sent: Thursday, May 01, 2003 10:01 PM

To: Islam on line

Subject: RE: Working in an Insurance Company

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. Yusuf

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

There is no doubt that jobs differ from the point of view of their implicit and explicit reward and permissibility. Some jobs are not permitted at all as you very well know. on the other hand some jobs have tremendous implied reward when they are taken seriously. Example of the latter is working in servicing the Muslim community, educating its children and promoting the cause of Islam. This is of course notwithstanding that all decent jobs are greatly rewarded as long as they are performed with sincerely and honesty. The Prophet, pbuh, is reported to have praised hands that tired of work to enable the person of fulfilling her/his personal and family needs.

Insurance is controversial. I go along with the "wise" minority that includes the late Shaikh Mustafa al Zarka (died July 1999) who was the recognized most knowledgeable Shari'ah Scholar for decades and the late Muddy and many other younger Shari'ah and Islamic economics scholars. The minority's view is that insurance is permissible provided that the contract is not interest-based (some life insurance contracts are interest-based) and the subject of insurance is permissible (e.g., you cannot insure a shipment of liquor). The majority's view is that only cooperative or mutual insurance is permissible while insurance offered by profit seeking companies is not permissible because it is an exchange contract that includes a great deal of Gharar, which is ambiguity (the answer to this objection comes in fact from actuarial studies that indicate that because of the use of the laws of probability the amount of ambiguity becomes small to an extent that makes it tolerable in Shari'ah).

Consequently, working in insurance companies is permissible as long as you are not part of signing an interest-based insurance contract. Additionally, studying and then working as actuary does not have to put you in insurance anyway because all pension funds use actuarial services. I don't want myself to be misunderstood, I consider working in insurance (hazards, accidents, personal, property, maritime, real estate, health, workman compensation and many types of life) fully permissible without any hesitation and I further believe it is a must for public properties of Muslim community such as mosques, Islamic centers, schools, etc and extremely advisable for individual Muslims. But I don't consider it the most rewarding, in religious terms, job in the world!

Working in conventional banks is also permissible as long as you do not sign an interest contract on behalf of the bank or be its writer or witness because the prophet, pbuh, put the Wrath of God on the taker of Riba, its giver, writer and two witnesses.

Working in B

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line
Sent: Wednesday, April 30, 2003 7:58 AM
To: Monzer Kahf
Subject: Working in an Insurance Company
Name of Questioner Yusuf Gender Male Age 21-30
Education Graduate Date Submitted 4/22/2003
country of Origin U K User Ref. No. CSLCRL country of Res. U K

As salaam o alaykum I am presently in the final year of my Mathematics degree, I finish in about a months time. Now, armed with a math degree inSha'Allah one of the most common areas for me to go to, is banking and finance. Now, at the same time I am not a scholar, and as such would find it difficult to differentiate between what is Islamically acceptable or otherwise. Is it acceptable to become an Actuary or perhaps to work in an insurance company? Alhamdulillah, I do not necessarily have to go into finance. Any advice rendered would be eternally appreciated.

From: Monzer Kahf
Sent: Wednesday, April 30, 2003 6:53 AM
To: Islam on line
Subject: RE: Islamic Ruling on Selling Insurance

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. Suhail

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Some people argue that insurance is prohibited in Islam, and consequently selling it is also prohibited. Their main reasoning centers around two points: 1) that insurance is a Riba-based contract. This is not true because only one kind that is regular fixed value life insurance is interest-based. And 2) insurance contracts contains huge ambiguity (lack of knowledge of the day a compensation is due because you do not know when an accident happens).

Others argue that the amount of ambiguity is not really huge but bearable because it is regulated, on large number by the actuarial studies and laws of probability. Consequently, except for fixed value interest-based kind of live insurance contracts all other kinds of insurance are permissible. This includes variable equity based life, accidents, hazards, car, personal, etc.

I go along with the second opinion and I believe it is correct and consistent with the objectives of Shari'ah. I also add that insurance of Islamic public building is even a must especially in countries like India and the USA where such building are some time attacked by hate and supremacist criminals

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Monday, April 28, 2003 11:34 PM

To: Monzer Kahf

Subject: Islamic Ruling on Selling Insurance

Name of Questioner Suhail Gender Male Age 15-20

Education Graduate Date Submitted 4/19/2003

country of Origin India User Ref. No. N6FI6E country of Res. India

I wanted to ask if selling insurance is correct I got it conformed from a person whose name is Shafiq who was already selling insurance with the same company, he had asked for such fatwa & he got an affirmative fatwa, actually I am undergoing training for IRDA Act 1999 which requires training before selling insurance I am just about to complete the training but some of my known people they raised a question that you cannot be a part of insurance but I my self don't think that selling insurance is wrong cause its just like selling any other thing & since Shafiq had also received a go ahead fatwa & i also want to ask if a Muslim can buy insurance if yes then what kind of insurance can he buy will term insurance be ok for a Muslim because other form of insurance like endowment assurance involves bonuses which I feel is like interest even though bonus is not interest I would be glad if you could reply to my queries & I would like you to plz refer to some facts of insurance & then reply me because a lot of commitments are depending on me which will be ultimately depending on your fatwa. thanking you very much.

Product Warranties and Maintenance Contracts

From: Monzer Kahf

Sent: Friday, October 24, 2003 6:58 AM

To: Islam on line

Subject: RE: Purchasing a Warranty for a Product

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.

Warranties included in the price or added in the same purchase contract are permissible with no descent between the Shari'ah scholars that I know of.

Warranties purchased separately from the seller or from a third party are similar to insurance contract. They are in fact one of the different kinds of insurance. What applies to insurance applies to them. Here there are three opinions: forbidden all the way, cooperative insurance permitted while insurance offered by profit seeking is not permissible, the third view is that insurance is permissible regardless of the provider as long as it does not have interest in its contract. I go along with the third view and I argue that warranties purchased separately are permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Thursday, October 23, 2003 1:48 AM

To: monzer@kahf.net

Subject: Purchasing a Warranty for a Product

Name of Questioner

Gender

Age

Education

Date Submitted 10/15/2003

country of Origin

User Ref. No. CLLNLF

country of Res.

Assalamu Alaikum. Is it permissible to purchase a warranty for a product? This is basically paying extra insurance so that if anything happens to it, the seller will replace it or bear the cost. Wa Alaikum Assalam.

From: Monzer Kahf

Sent: Wednesday, July 16, 2003 9:51 AM

To: Islam on line

Subject: RE: Buying a Washing Machine with a maintenance plan

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. walid

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The one year warranty by the manufacturer is permissible as it is part of the same and the responsibility of manufacturer toward the dealer and then you.

The maintenance plan is permissible too according to the view that accepts insurance. It is a form of insurance. It is rejected by those who reject insurance, please see my opinion on insurance in answers to other questions. I think a maintenance plan is permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Tuesday, July 15, 2003 11:37 PM

To: Monzer Kahf

Subject: Buying a Washing Machine

Name of Questioner walid Gender Male Age

Education Date Submitted 7/7/2003

country of Origin User Ref. No. 7J59FK country of Res.

Salaam, I wanted to buy a washing machine. The price of the machine included one year warranty by the manufacturer. The retail store that is selling it is also offering a 3-year service plan. The plan covers the cost of repair in the coming 3 years, in case anything goes wrong. The service plan costs additional money that I have to pay. Is the service plan permissible to buy? or is it Haram?

From: Monzer Kahf

Sent: Friday, May 23, 2003 12:47 PM

To: Islam on line

Subject: RE: Guaranteeing Products 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.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I don't know what do you mean by the word Lucite, is it transparent? I assume you are asking about Shari'ah opinion!

If you pay a higher price at the time of purchase for an object (e.g., a car) in order to include a maintenance warranty like what is practiced under the name of extended warranty to five or seven years this is permissible almost unanimously to the best of my knowledge.

On the other hand buying an independent maintenance agreement that gives this kind of warranty is not so much agreed upon. It is in fact a kind of insurance. Those Muslim scholars who argue that insurance is permissible see this contract permissible too. While those who prohibit insurance on the basis of ambiguity with regard to the exchangeable obligations of the two parties consider this contract prohibited too on the ground that you don't know what service the object may need and at what time.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Thursday, May 22, 2003 2:00 AM

To: Monzer Kahf

Subject: Guaranteeing Products in Islam

Name of Questioner

Gender

Age

Education

Date Submitted 5/16/2003

country of Origin

User Ref. No. UWWEBY

country of Res.

Dear Sir: Is spending money to have a guarantee on certain product for a certain period is Lucite in Islam?? If yes, what is the conditions controlling such matter?

Thank you

Islamic Insurance - Takaful

From: Monzer Kahf

Sent: Thursday, September 25, 2003 7:39 AM

To: Islam on line

Subject: RE: Is Takaful Insurance Halal?

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. Nezar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Yes all Takaful Products are Halal even according to the most rigid opinions on insurance. That includes all their products, Life, children education (which is in fact a form of life under an attractive name), car, health etc.

The Takaful insurance companies in Saudia have their own boards of Shari'ah experts that studies and approves these products before they are offered to the public.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Thursday, September 25, 2003 1:49 AM

To: monzer@kahf.net

Subject: Is Takaful Insurance Halal?

Name of Questioner Nezar Gender Male

Age

Education Post Graduate Date Submitted 9/14/2003

country of Origin Saudi Arabia User Ref. No. 4PJF25

country of Res. S A

Is Takaful insurance Halal? Even if it includes life insurance? And what about INSURANCE PRODUCTS TO COVER CHILDREN EDUCATION INCASE OF DEATH,THESE PRODUCTS ARE OFFERED BY Islamic banks and Takaful insurance companies! Please advice

Car, Unemployment and Other Kinds of Insurance

From: Monzer Kahf

Sent: Wednesday, September 10, 2003 9:46 PM

To: Ibrahim

Subject: RE: unemployment insurance

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. Ibrahim

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Insurance is permissible if the contract is not based on interest clauses and the subject of insurance is permissible. Accordingly unemployment insurance is permissible.

You should know that there are people who argue that insurance, of all kinds is prohibited. I think they are wrong but they are entitled to their view because the issue is not mentioned in the Qur'an or Sunnah and people may have different understanding of it. I believe insurance is permissible. In this I follow the opinion of the most renowned Shari'ah Scholar of his time the late Shaikh Mustafa al Zarqa (died in July 1999).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Ibrahim

Sent: Tuesday, September 09, 2003 10:38 AM

To: monzer@kahf.com

Subject: RE: unemployment insurance

Assalam Alaikum Dr. Kahf:

I would like to know if unemployment insurance is permissible.

Jazakallah

From: Monzer Kahf

Sent: Monday, August 11, 2003 6:37 AM

To: Islam on line

Subject: RE: Car Insurance

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. Dina

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Car insurance is permissible whether you buy on installment or not. It is the only way to assure the rights of other persons without placing too much of a burden on the car owner/driver. Even those classical scholars who argue against insurance in general do not stand hard in the case of car insurance. IT WRONG AND UNWISE FOR ANY PERSON TO DRIVE A CAR WITHOUT CAR INSURANCE, AT LEAST LIABILITY TOWARD OTHERS INCLUDING THE CREDITOR OF CAR DEBTS. It is un-imaginable to think that our Shari'ah allows a person to behave wrongly or unwisely!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Saturday, August 09, 2003 7:18 AM

To: Monzer Kahf

Subject: Car Insurance

Name of Questioner dina

Gender

Age

Education

Date Submitted 7/31/2003

country of Origin

User Ref. No. JE9BNU

country of Res.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ My question is regarding car insurance. If u are buying a car by installments. You automatically have to pay insurance fees for the car as long as its on insurance base so that if an accident occurs the insurance co. pays on your behalf. So what is the rule for car insurance. Thanks

Are Insurance Benefits Paid After Death Considered Inheritance?

From: Monzer Kahf

Sent: Monday, June 23, 2003 5:45 PM

To: Jessica

Subject: RE: Question

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. Jessica

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1)- The argument that this is not inheritance is very strong and convincing because the definition of an estate (that can be inherited) is what the deceased owned in the deceased life time. The benefit of life insurance was not owned by the deceased. It is due to beneficiaries only upon the demise of the insured. On the basis of this Islamic insurance companies accept assigning beneficiaries other than the heir and to the heir in different proportions. This means you can take any share equal to your brother or not it doesn't matter. This is not affected by the argument that insurance is permissible or not because you did not make the insurance, you are (is a sense) a beneficiary only.

2)- I believe that inheritance from non-Muslim is not valid. This means that if we are in a country that applies the law of Shari'ah on estate distribution, there must be no inheritance when a difference in religion exists between the deceased and a potential heir. It also means that an entitlement to a Muslim by virtue of non-Islamic laws in non-Muslim countries is not inheritance (as defined in our Shari'ah) it is a gift granted by the law of the land. It is permissible for any Muslim to accept gifts given to her/him by any person or by virtue of the law of the land as long as taking this gift does not involve a violation of Shari'ah. There is violation of Shari'ah in accepting a property assigned by in a last will, insurance policy or by the government such as grants, scholarships and welfare.

3)- Once you own a property, you have a free hand to do anything, it is Halal InShaAllah to use it for your own expenses, give as a gift or donate it for Muslim charity hoping that God will reward you many folds.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Jessica

Sent: Monday, June 23, 2003 6:30 AM

To: monzer@kahf.com

Subject: Question

Assalamu Alaikum Brother,

My name is Sr. Jessica Smith. I received your email address from Sheik Ibrahim Malabari from Jami Mosque in Toronto Ontario.

I have a question regarding inheritance. My mother died a few weeks ago and I recently found out from my uncle that she has left behind a small insurance policy. This policy had originally been bought by my late grandfather and was passed down to my mother from my grandma. The total amount is \$10,160 Canadian.

The money would be used to help pay for funeral expenses. My uncle told me that whatever money is left over--he would divide it equally between my brother and myself.

I was wondering if it is ok for me to accept this money. I should let you know that I am the only Muslim in my family. I know that Convert Muslims can inherit from non-Muslim parents.

If I cannot keep this money--what should I do with it? I don't wish to give to my brother because he most likely uses it to buy alcohol or tobacco. I don't want to see my mom's money going to support a dirty habit such as this.

Thank you very much for your time brother. I look forward to hearing from you inSha'Allah

Wassalam

Sr. Jessica

Probability, Risk and Insurance

From: Monzer Kahf

Sent: Sunday, June 08, 2003 11:29 AM

To: Ahsen

Subject: RE: Probability and Risk : Insurance

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. Ahsen

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Thank you for your complement.

I am not the kind of person who hastes to incorporate an Islamic element/character in every thing. For instance there is no definition of production in Islam, and no definition of eating. Nothing can be called Islamic production or Islamic eating. Not doubt there are manners in both but manners do not change nature or argue it! In my opinion there is no definition of risk in Shari'ah and there is position about the use of probability theory in extrapolations. Meaning both are circumstantial.

Isn't it a fact that every merchant when she/he buys certain goods makes a mental calculation of the future, certainly based on past experience? Projection and formulating expectations are natural human practices that are associated with

every single action normal human beings take day and night. Even in prayers and good deeds we are given certain basis to calculate estimated reward from God.

I'll rephrase your question. Can probability be part of a contractual relationship? No, But. No because in contractual relationships there must be definite knowledge of what you take and what you give so that the exchange can be balanced. BUT because probability can be an inside or mental foundation on whose basis a party enters into a contract. If I tell you take this rout for your Caravan and I guarantee that you will not be exposed to looting on your way, I am entering in a legitimate contract with you for which I can be compensated and I based my entering in the contract on my past knowledge and understanding of probability. The same if I guard your building against theft and guarantee the result of my job but a theft happens. I founded my contract on past experience extrapolated into the future. Notice here that probability is not part of the contract. the contract is clear that if an incidence happens you get compensated. On this basis insurance becomes permissible if it has no prohibited causes such as interest provided the subject of insurance is permissible.

Risk is also a general thing that characterizes processes or actions. For instance risk management in Islamic banks is not really different from risk management in conventional banks except in the basket of alternative processes that a manager can take, i.e., there are actions that can be taken in a conventional bank that cannot be taken in an Islamic one and vice versa. Risk management in any other business is about the same. Risk cannot be an exchangeable item in a contract although economists very often confuse Shari'ah specialists by claiming that risk is part of a contract. In fact risk can only characterize the element on which a party may enter into a contract, it makes a background of a contract not an exchangeable item within it.

Remember that when we use the probability theory we can convert - a priori only - risk into certainty but the real life doesn't know that. In real life one thing will happen only not a probability and regardless of probability!

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

Question:

From: Ahsen
Sent: Sunday, June 08, 2003 8:53 AM
To: Monzer@Kahf.net
Subject: Probability and Risk

In the name of Allah, Most Compassionate, Most Merciful
Salam Alaykum dear Sir,

I am very impressed by your knowledge and contributions to Islamic economics. I would like to ask you two questions:

1. Is use of probability for future calculations allowed in Islam? Especially since probability is simply a ratio of past occurrence of events. Is it permissible, and more importantly, sensible to assume a correlation between past events and future events?

2. How can we define risk in Islam?

I will thank you if you will answer me.

May Allah bless you.

Your brother in Islam,
