

# FATAWA INSURANCE 2006

## Life Insurance and Insurance in General

### Subject: Life Insurance Policy

From: Haris through Islam online

Sent: Wednesday, November 15, 2006 12:00 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Fist of all, may Allah give all of you best reward for the efforts. I have life insurance policy, which is started on 2000 and will mature on 2020. Assured sum is Rs.125,000.00 with premium payment of Rs 2039.00 quarterly. According to the company, my nominee will get assured amount and profit plus bonus, if I died before the maturity date; which may be approximate 550,000 to 600,000 rupees. I approach the agent to cancel the contract as I feel it's Haram, and then I was asked to continue the policy and keep as savings. And he argues that that extra amount what the company pay, as bonus and profit, is from the share; and it is not from the interest. If I cancel I will not be returned what I already paid. I read the article related to the insurance, in this session, but I confused. That is why I elaborate the matter exactly. So I ask in the name Allah, to guide me in the right path by giving a proper answer. Is it Haram or Halal? Jazakumullahu 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 a Ashabihi Ajma'in

Dear Br. Haris,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

This policy is a typical whole life policy. the premium you pay every quarter consists of two parts: one part that goes toward the risk pool from which the beneficiary will be paid if you die before the policy maturity. the other part that is usually larger is accumulated with compound interest to make the 125,000 that you will be paid in 2020. Insurance, including life, itself is not Haram and We argue that it is very often needed and sometimes necessary. However the contract you made without checking the Shari'ah legitimacy part of it is Haram because of the interest ingredient in it. You should have asked this question in 2000 before you signed this contract.

Solution now:

1. Try to amend this contract to make it term life only, the premium must be small (below 1000 and probably much less);
2. But if that will make you loose too much ( and I suppose you can change it without much of a loss), keep it and if you live to get the 125,000 give away to Muslim charity the interest part and take only to yourself the total of the principals (you can ask the insurance agent and he can give you exact calculation of the components of the 125,00 and what rate of interest he applies).
3. If you die before 2020, the amount the beneficiary takes is not Haram regardless of what the company does and how it earns its money.
4. There are Islamic insurance companies now in different parts of the world you may consider dealing with them.

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

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**Subject: ISLAM AND INSURANCE**

From: shabbir

Sent: Friday, October 06, 2006 7:30 PM

Question

Dear Bro. Monzer, As-Salaam-Aleikum,

My name is Shabbir and I live in Mississauga, Canada.

I would be very grateful if you could please advise me whether insurances such as Life and Medical are allowed in Islam.

Secondly, on the issue of Zakaat, if say in 2005 my cash balance in the month of Ramadhan was 30,000 and my debts were 10,000 and I paid zakaat on 20,000.00, what will be the zakaat payable in the month of Ramadhan of 2006 when my cash balance has increased to say 40,000 from 30,000 but my debts of 10,000 have remained the same. In other words my net worth has increased by ten thousand.

Third, is it permissible for one to buy a house on mortgage for personal use?

Your favorable response will be greatly appreciated. Jazaak-Allah

Your brother in Islam

Shabbir

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. Shabbir,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Insurance is controversial, I stand with the opinion that it is permissible provided the contract is not interest-based and the subject of insurance is permissible (e.g., whole life insurance is normally interest-based and insuring a liquor shipment is not permissible).
2. Your Zakah question is not clear. Long term debts are not deductible from Zakatable assets when you calculate Zakah. If the 10000 debt of last year is the same of this year, you should have not deducted it last year. Now you need to recalculate last year's Zakah accordingly and pay the difference and make this year on the same basis. A debt that is deductible must be one that is going to be paid in the future (i.e., after the day of calculation) but out of the existing assets on the day of calculation. Debts that are payable out of future revenues/incomes such as mortgage debts are not deductible. On the other hand, if the debt of last year was paid then a new debt arises that is going to be paid out of the 40000 you have for this year, then what you've done last year is correct and you can deduct the present debt if it is going to be paid out of this 40000.
3. Conventional mortgage is not permissible if Islamic financing is available to you. If Islamic financing is not available and you need to buy a residence and you don't have the amount readily

available you may then resort to conventional mortgage and then you make your effort to pay it ASAP.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Employer-provided life insurance**

From: Mazen

Sent: Tuesday, April 18, 2006 8:34 PM

Question

Dear Dr. Kahf, Assalamu Alykum.

Jazak allah khair for the answer. I have two more questions:

Q.1) My employer provides me with 1.5x my base salary life insurance with no contribution (payments) from me. I am not sure if the life insurance is not-interest. Is it halal for me family to benefit from the life insurance after my death.

Q.2) Is it halal to trade stocks for companies that deal with interest (riba) but they do not conduct haram biz (e.g. alcohol, etc).

I think it's another controversial issue. Some scholars say it's haram, other say it's halal and they put conditions and percentages on the amount of the interest loans to a company assets. Could you detail the conditions and percentages (with the logic of how these percentages were decided) if you support the second opinion. Jazak allah khair, salamu alykum.

regards,

mazen

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. Mazen

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I am going to answer your first question and request you to find the answer of the second one on the internet either on [www.kahf.net](http://www.kahf.net) or on [www.islamonline.net](http://www.islamonline.net) because it has become very traditional and standard answer.

I think that your life insurance is a term life insurance because this is usually what is offered by employers as a fringe benefit. Please check on it with the human resources department on your company.

Term life insurance is not interest-based it is only a matter of pooling together the risk. This means that premiums paid by participants (in you case your employer) are pooled in one fund and benefits and management cost is paid out of this fund [of course, the matter is a little more complicated because there are profits, reserves and other legal requirements, etc. but this is the idea in essence]. Term life insurance usually does not have an investment component, i.e., it does not give a benefit of a guaranteed amount after a period of time.

There is another kind of life insurance that has an investment component whereby the premium is divided in two parts; one part goes to the risk pool as above and the other is invested in interest-bearing (as required by law) securities, this part accumulates with time to the amount of the policy that is guaranteed after a number of years. Obviously, this interest-based part is not permissible in Shari'ah.

There are other kinds of life insurance that are irrelevant to your question.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: life insurance**

From: Aryn

Sent: Monday, February 20, 2006 8:53 PM

Question

Assalamu Alaykum Wa Rahmatullah wa Barakatuh

My name is Aryn Abderrahman, I am originally from Tunisia and live in th USA. I'm studying to get my Series 7,63 and CA Life Insurance License. I would like to start a career in Islamic Financial Planning. I have read almost all your Fatawa on your website but there is a kind of financial products that I could't find your opinion about. In the USA, some insurance companies provide Variable Life (VL), or Variable Universal Life (VUL) where the policyowner will have the decision in regard to where the premiums will be invested. If, as agent, I sell these products and my clients have the insurance provider invest their money in Islamic Mutual Funds or Islamic Indexes, will this strategy make these products Halal? How about the commission I earn from this type of products? Jazak Allah Khair Dr.Kahf Respect.

Aryn

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. Aryn

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I take the opinion of the late great scholar, Shaikh Mustafa Zarka: insurance is permissible provided it is not interest based and its object is permissible. Accordingly, if one chooses the funds with the least interest and other prohibited content and implement the purification criteria (giving to Muslim charity a proportion of total gains that at least equals the estimated proportion of non-permissibility in the fund) these variable insurance policies should be permissible.

By the way, term life insurance and other non-life insurances are permissible too.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Insurance Transactions From the Shari'ah Point of View**

From: Ali through Islam online

Sent: Thursday, December 14, 2006 8:06 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

In the west Car and home insurance is needed. Health insurance and life insurance is provided by the employer. Are these insurance transactions haram as riba? Secondly, can one buy extra insurance for paid monthly expenses in case one gets sick and disabled after a certain time? Can one buy more home insurance against liability and lawsuits? These issues are either required or highly recommended or needed in America. Thank you. Jazakum Allahu Khairan for your constant help

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. Ali

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Home, car, disability and other accidents insurance is permissible and you can buy it in as much as you think it is useful to you. Life insurance may be mingled with interest, the kind of life insurance contract in which interest is basic, i.e., whole or regular or just life insurance, is not permissible because of the insurance element. Variable equity insurance and term live insurance, the latter is usually given by employers, are not interest based but variable equity must be taken carefully to select mutual funds that have the least of non-permissibility and to apply the purification principle (giving to Muslim charity the part that is suspected to have come from non permissible practices of the companies in which the mutual fund invest).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Investments of Insurance Companies**

Subject: Investments of Insurance Companies and Market Linked Life Insurance

From: imran

Sent: Tuesday, October 03, 2006 10:09 AM

Question

Asslam.....Dear Dr Kahf

I got your email ID from your website, Sir i am from india working in a Life Insurance company as a Training Manager. I came cross your website thru google search. I have few queries on insurance investment in islam as per little understanding of what i have on islam "" Islam Prohibites Ribba i.e

Interest "" Generally the funds of insurance company which is pooled by policy holder by way of premium are invested in Debt Instrument which attracts interest i.e ribba (Prohibited in Islam )

a) what is islamic view point on the investment done by insurance company is it compatible with islam?

b) is market linked insurance allowed from islamic point of view ?

I hope to get a speed reply from you. Thanking you 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. Imran,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Insurance contract itself is controversial from Shari'ah point of view because it involves a great deal of uncertainty/ignorance (called Gharar) about when, how much and for how long the obligations of the two parties are done (obviously with little variation depending on a specific policy conditions or what is insured against). I go with the view that it is permissible provided the object of insurance is permissible and the contract does not have any interest clause basic to the contract.

Second, investment of conventional insurance companies are mostly interest based as you said, this is NOT PERMITTED IN SHARI'AH, it doesn't matter whether the interest is fixed or variable, market linked. Interest is an increment in a debt and this is prohibited in Shari'ah. On the other hand, investment of Islamic insurance companies (Takaful) are in line with Shari'ah, they are basically Mudarabah kind of contracts.

Please if you have any other question of details write me again.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Imran

Sent: Sunday, October 08, 2006 7:43 AM

Question

Assalaam alakum..... Dear Dr Kahf

Thanks for a speedy reply

Sir, in your mail(Below) you have said that insurance is permissible provided the object of insurance is permissible Can u throw light on this specific sentence (what is the subject matter of insurance in Islam)

Secondly investment in non conventional plans are also in equities ,if it is equities can insurance be halal form Islamic perspective , where in there is no question of Ribba or interest.

Thirdly do we have a concept of social security such as insurance (In Islam) If yes do we have any comm entry on that in the Holy Quran. Allah Hafiz Thanking you & regards

Imran

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. Imran,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Your queries are intelligent, MaShaAllah. The subject matter of insurance is risk distribution, this is a descriptive statement, it is not value loaded, therefore it can't be said this is in Islam or in any other system. I meant by object of the insurance ""what is insured."" Insuring a shipment of liquor is not permissible because transporting liquor is, like its production and consumption, prohibited.

2. As I mentioned earlier, insurance contract between two parties, insured and insurer, is controversial. My view: It is Halal with the two conditions. This means, yes, equity-based life insurance is permissible, so is term life. Part of the whole life insurance is Haram, the part that gives a lump sum after a given period of time is the insured does not die because it is interest based.

3. In equity based life insurance and in equity investment at large we need to note the issue of the permissibility of owning a given stock, e.g., owning stocks of a company whose main line of business is not permissible is also not permissible.

4. Social security is a new system as it is contribution-based. That did not exist in the Islamic Fiqh, it is a new invention. Zakah is a social security system that is not based on contribution, it is unprecedented in all other system because of its institutionalized continuity and systemic approach to charity. Social security system is of course a good invention and it is permissible in Shari'ah. Of course you don't expect the Qur'an to mention it!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Imran

Sent: Tuesday, October 10, 2006 9:36 AM

Question

As salaam alakium, Dear Sir,

I have some more queries, hope don't mind answering those as well, I totally agree with you on whole life plan, endowment etc where in there is element of ribba involved But still a slight clarification required pertaining to market linked insurance were in investment are done in equities since in such instrument a small part of the investment goes in to financial sector Such as banks and housing finance, around 3 to 4 % is it permissible according to you? We in India don't have any Takaful instruments

And you said in your mail that term plan according to you is permissible but to my knowledge the premium collected is also invested in debt instrument, the lump sum amount is paid on death and not on maturity (end of the term) the lump sum amount may be contain some part of interest? What do you have to say on that? thanking you Warm Regards

Imran

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. Imran

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. You know in principle one is supposed to avoid any Haram, little or big. When one needs to take life insurance, equity variable is ok because it is not interest based, but still the company invest part of it in Haram areas, this must be taken care of as follows: select the funds that have least of the Haram stocks and other investment, AND apply the purification principle.

2. When the contract is an exchange contract, it is none of your business to question the sources of funds the other party gives to fulfill its obligations. In term life the contract is ok. Then you don't ask the company where does it get its money that it pays the beneficiary if it is required to pay. the sources of its funds is its concern not you as long as you can't tell that a specific thing given to you is not really owned by the company but by another (e.g., if the company gives you a stolen watch as a partial payment).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Imran

Sent: Thursday, October 19, 2006 10:05 AM

Question

As-salaam, Dear Sir,

You have cleared most of my doubts but in the previous mail you said something on the "Purification Principle" Could you plz elaborate on this? Thanking You Allah Hafiz

Imran

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 Imran

Assalamu Alaikum wa Rahmatullahi wa Barakatuh and Eid Mubarak

Any property that may come under your hand that is not your does not belong to you and you can't keep it. If you know the owner you must return it to its proper owner but if you don't know the owner you give it to Muslim charity so that you keep your properties pure and clean from these things that are not yours because it is Haram for you to take to yourself things that don't belong to you. We treat similarly properties that come under your hand by contracts that are Haram in Shari'ah but permissible under other laws and you made them under some kind of duress or necessity such as earned interest.

Of course a property may come under one's hand through different means:

1. Through permissible contractual relations: this becomes one's property to enjoy
2. By law such are in inheritance or government grants, also one's property to enjoy
3. By one's work with natural resources not owned by others such as getting wood from the forest, also one's

4. By criminal act or shameful act that does not fall under the law (of Shari'ah or the land) such as stealing for the first and completely covered up cheating for the other, this must be returned to their right owners and the action one did in obtaining them is sinful

5. Lost and found property, in your hand until you find the proper owner, no sin in keeping it until then if a reasonable effort is made to find the true owner.

6. As a price of shameful/prohibited service, if the service is already given to the payer (e.g., payment received by a prostitute): this does not become owned by the recipient but must not be returned to payer because he/she got what he paid for: this must be given to Muslim charity as purification

7. As payment not justified but permissible in the law and given by a practitioner such as interest given by banks: you do not return it and give it to Muslim charity to keep your properties clean from this Haram. If it is paid by a non practitioner, since the contract is Haram and does not transfer ownership, it remains owned by the payer and must be returned to the payer. The difference is that a practitioner would be benefiting twice, the loan and the interest and it will repeat its action with others, by returning it you will be helping it do more of the evil transactions. But a non-practitioner is not like that.

In brief, purification is needed whenever the right owner is not known or it is not rational to return the thing to it.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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### **Gift of Investment of Family Takaful**

Subject: Can We Do Hibah on an Investment Attached to an Insurance Policy

From: Roshisham through Islam online

Sent: Tuesday, September 05, 2006 1:00 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Is there any opinion that the money paid to a beneficiary under a death benefit of an insurance/takaful policy does fall under the faraid distribution on the view that the money does not belong to the insured? We can't do a hibah on death benefit but can we do a hibah on an investment/ saving attached to an insurance policy such as a unit trust account? Jazakum Allahu Khairan for your constant help

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. Roshisham,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The rules of property and inheritance in this regards are as follows:

1. An owner can do any thing that she/he likes (Hibah, donation, distribution to relatives including potential heirs, giving to charity, consuming, investing, etc.) with whatever she/he owns during the life time; but cannot suspend any distribution till after death. Any distribution suspended until after death is restricted by the following: 1) it must not exceed one third of the estate net of expenses and debts; and, 2) must not be given to any heirs to avoid any disturbance of the Qur'an given distribution. There is though the rule of justice between children or between the wives when one gives to children or wives.
  2. After death any gift suspended on death is only valid to the extent of the one third and to non-heirs.
  3. In regard to any property that was not owned by the deceased during her/his life time there are two opinions (they have about the same weight although I adopt the second): 1) distribution according to the rule of inheritance; this is supported by a Hadith in regard to the distribution of ransom money of a homicide by mistake; and, 2) it can be distributed differently on the ground that the rules of inheritance apply to properties owned by the deceased. And this was not.
  4. In application: investment associated with a family (life) takaful policy was owned by the deceased during life time, therefore, it must be distributed according to rules of inheritance. Life policy payment may be distributed to assigned beneficiaries who may not coincide with heirs.
- Wa Allahu A'lam  
Wa Alhamdu li Allah Rabb al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf
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**Subject: Workers Insurance and Compensation**

From: Wael through Islam on line

Sent: Wednesday, August 23, 2006 6:57 AM

Question

السلام عليكم ورحمة الله وبركاته  
فضيلة الدكتور منذر قحف: نسأل الله أن تكون بصحة جيدة وأحسن حال وقرب من الله تعالى ، وسلامنا  
للأسرة الكريمة..  
لدينا استشارة نود من فضيلتكم التكرم بالرد عليها لأنها ترتبط بمشكلة يتعرض لها 700 موظف بإحدى  
الشركات بمصر.. والاستشارة هي كما يلي (ونود من فضيلتكم الرد باللغة العربية وبشكل من التفصيل  
لو تكرمتم)..  
"شركة مصرية يعمل بها 700 موظف، وهم مندوبون يوزعون فواتير تليفونات على المنازل ، ومن  
ثم يتطلب عملهم التنقل عبر المواصلات المختلفة يوميا للقيام بمهام عملهم.. وتعرض اثنان من هؤلاء  
الموظفين لحوادث أودت بحياتهم ، ومن جانبها لم تدفع لهم الشركة أي تعويض ، أخذاً في الاعتبار أن  
الشركة مشتركة في التأمينات الاجتماعية..  
وقامت الشركة مؤخراً باللجوء إلى إحدى شركات التأمين لعقد عقود تأمين على الحياة لجميع الموظفين  
وتقوم الشركة بدفع تلك الأقساط التأمينية للموظفين، وجعلت الشركة التعاقد اختياري بمعنى من لا يريد  
التعاقد لن تجبره الشركة على ذلك، ولكن على الجانب الآخر لن تتحمل أي تعويضات في حالة وقوع  
حوادث—لا قدر الله.

يضاف إلى ذلك أن التعاقد مع شركة التأمين سيكون بشكل فردي، بمعنى أن الأفراد هم الذين سيوقعون العقود وليست الشركة.."  
فما رأي الإسلام في ذلك؟  
بارك الله فيكم  
وائل

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. Wael

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Please see the Arabic below.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

الأخ وائل، تعرف أن طباعة العربية صعبة علي. . .  
هناك عدة نقاط:

1. أن المسؤولية التقصيرية عن الحوادث لا تقع على الشركة بل تقع على الجاني. فالتعويض ليس على الشركة ولو كان الحادث أثناء وقت العمل . بل هو على المتسبب بالوفاة. هذا هو المبدأ. . .
2. يستثنى من ذلك حالتان: إذا نص القانون على وجوب تعويض على الشركة في حالات الحوادث أو إذا نص على ذلك عقد العمل الجماعي أو الفردي.
3. إن التعويض الذي تدفعه شركة التأمين - عند التأمين كما ذكرت في رسالتك- ليس في حقيقته تأميناً بالنسبة للعامل! هو فقط نوع من منافع العمل الجانبية فيجوز أخذه لأن شركة التأمين تدفعه نيابة عن رب العمل إما تنفيذاً للقانون أو العقد وإما بتبرع من رب العمل باعتباره منفعة عمل مضافة للمرتب. سواء في ذلك المبيحون أو المحرمون للتأمين التجاري.
4. واضح أن التأمين الذي تقوم به الشركة لهذه المسؤولية المترتبة عليها جائز إذا كان لدى شركة تأمين إسلامية أما إذا كان لدى شركة تجارية عادية فهو على خلاف المعروف بين المبيحين والمحرمين وأنا ممن يرون الإباحة.
5. أن توقيع العامل على العقد مع الشركة لا شيء فيه عندي ، وينبغي أن يكون كذلك حتى عند من يحرم التأمين التقليدي لأنه ليس عقد مبادلة حيث إن العامل لا يلتزم بدفع الأقساط كما فهمت من رسالتك. أما إذا كانت له مشاركة ولو جزئية بدفع القسط التأميني فهو على

الخلاف المذكور في 4. إذا لم تكن للعامل مساهمة بدفع الأقساط فتوقيعه على العقد لا  
يحمل سوى معنى قبوله للتحويل إلى شركة التأمين كوكيل عن رب العمل في دفع  
الاستحقاق

منذر قحف

## Home Insurance

**Subject: A question about home insurance**

From: Mazen

Sent: Sunday, April 16, 2006 5:16 PM

Question

Aslamu alykum,

I live in USA, where it's usual to have home insurance. I did not know that insurance is haram until recently. So, I cancelled it.

My home insurance covered stolen items like including my wife gold. A year ago my wife wedding ring was stolen. The ring is worth about \$2600. The insurance company paid me \$1500. I paid the insurance company about \$700 over the period I had the insurance.

Is it halal to keep the \$1500 I got from the insurance company? Or should i keep \$700 (what i paid the company) and return \$800 to the insurance company? If the company does not accept the money back then what should i do with the money? jazakum allah khair.

mazen

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. Mazen

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Insurance is not Haram. You may be surprised but it is in fact controversial. Some people think it is Haram and others believe it is permissible with two conditions: 1) it should not be interest-based; and, 2) what is insured should be permissible (e.g., it is Haram to insure a shipment of liquor). I belong to the second view and I stand strongly for the permissibility of home, car and non-interest based life insurance.

In my view, you should have not cancelled your home insurance and you MUST re-instate it. The \$ 1500 given to you is Halal InShaAllah and you need not return any part of it.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Mazen

Sent: Tuesday, April 18, 2006 3:55 PM

### Question

Dear Dr. kahf, Assalamu Alykum, jazak allah khair.

In my case, i am not sure if the insurance company (saefco) deals with reba. I would think they do. Do you still think I can keep the \$1500 if they do.

What is the proof (daleel) from quran or suna that support the second view you mentioned below?

jazk allah khair. regards,  
mazen

### 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. mazen

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The money you got is ok because it is compensation payment according to the insurance contract.

Home insurance and car insurance don't include any interest in them. Whatever the company does

with its assets, investment and other customer is all immaterial to your own contract with it. What

matters is that the contract between you and the company must not be interest-based. This condition

is satisfied in home and car insurances. It is none of your business what does the company do otherwise.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

## Car Insurance

### Subject: Fatwa on Car Insurance

From: Mauroof through Islam online

Sent: Monday, April 17, 2006 1:59 AM

### Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

In the country I am currently residing for a few months, it is optional to take car insurance ( to

cover any damage to my car or another car in case of an accident). But health cover insurance for

any accident while driving is compulsory. Since I never wanted to get involved in any sort of

insurance as it is Haram I did not take the optional insurance for damage. But then I had an accident

and I hit my car to a power post owned by the state government. After few days they sent me a bill

with very much exaggerated figures for the amount I needed to pay, as they assumed I would pass

on the bill to the insurance company. And since I was not insured I had to pay by myself. I arranged

to pay via installments and currently I am paying it. I know I am charged unfairly (because for

example they said it took them 72 hours to fix it and I was charged for that, but in fact I went to the

site of the accident the next day and it was all fixed and there was no sign of the damage and I have

witnesses). MY QUESTION IS DO I STILL HAVE TO PAY THAT AMOUNT THEY

QUOTED? I can't afford a lawyer to dispute this. But I can get away without paying by leaving the

country. PLS advise me as soon as possible as due to some unforeseen circumstances I have to very soon leave this country for good. Jazakum Allahu Khairan for your constant help

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. Mauroof

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Insurance is not Haram. You may be surprised but it is in fact controversial. Some people think it is Haram and others believe it is permissible with two conditions: 1) it should not be interest-based; and, 2) what is insured should be permissible (e.g., it is Haram to insure a shipment of liquor). I belong to the second view and I stand strongly for the permissibility of home, car and non-interest based life insurance. In my opinion you should have taken full insurance coverage.

The amount you are charged is payable by you and if you escape it without falling in legal trouble, you would be morally wrong that means from a religious point of view you are wrong. You cannot make judgment according to your own opinion of what it takes to make the repair, for instance you did not add the overhead in the offices and the loss of benefit to the public that resulted from this, etc. What you were charged is like any body else, I suppose, unless you can prove discrimination. (BTW, you may have been charged a standard or a minimum number of hours in accordance to instructions and practices in the municipality not because they assume it is going to be paid by insurance!)

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Islam's Stance on Auto Insurance**

From: Abdul through Islam online

Sent: Sunday, January 15, 2006 6:22 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

My question is the following: It is my understading that auto Insurance is haram/not permissible except in cases where it is required by law and thus making it a necessity. In one state in the U.S., you are allowed to drive without insurance if you pay a fee that sometimes can exceed the amount it would cost to pay for liability insurances. For example, in my case, liability insurance would cost me \$190.00 per 6 month to drive legally and the liability insurance protects the other driver in the event that I am at fault. However, the fee to drive legally without liability insurance would cost me \$300.00 per 6 month and would not provide me with any protection in the event that I am at fault. Thus the fee just gives me permission to drive without insurance. Under Islamic law, should i pay for liability insurances or the fee that permits me to drive without insurance?

Jazakum Allahu Khairan for your constant help

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

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Insurance is not Haram in Shari'ah. It is a new contract invented in the West and Muslim scholars discusses it. SOME ARGUE THAT IT IS HARAM AND SOME ARGUE THAT IT IS

PERMISSIBLE OR NOT HARAM. I adopt the view that it is permissible regardless of whether it is required by law or not. This means that not only liability insurance for cars is permissible but

also comprehensive and other kinds of insurance are also permissible. The leader of this view was the late Shaikh Mustafa al Zarka who was most renowned among Shari'ah scholars of the last

quarter of the last century (died in 1999). The late Maududi also belongs to this school. The argument against insurance does not realize the importance and great effect on this contract in an

economy that has mass movement of machines (cars, planes, etc.) and intensive interrelations in products and that lost the tribal bonds on which the old system of 'Aqilah was based.

INSURANCE IS NECESSITY OF CONTEMPORARY SOCIETIES. Therefore the amount of

Gharar that in casts is tolerable especially that it does not lead to dispute but rather reduces disputes and litigations. If you accept this view the question becomes irrelevant and you can take insurance

that covers your liability and your assets too.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**Subject: Paying Car Insurance by Monthly Installments**

From: Syed through Islam online

Sent: Thursday, November 30, 2006 5:24 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I am shopping around for my car's insurance (which is required by law) and wanted to ask if paying it by monthly installments (resulting in a higher amount) rather than at one go would be legal in Islamic Sharia.

Visitor Notes: When I am paying by monthly installment, I pay more than my quoted premium (about 20% more). So though I am not exactly borrowing money on interest per se, interest is involved here nevertheless... ? In my current financial situation it is difficult for me to pay the whole amount at once. Jazakum Allahu Khairan for your constant help

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. Syed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

We will need to begin from the offer in this case. Contracting a purchase of a good or a service (insurance is a service) for two prices, usually with a deferred or installment price being higher than a cash price; this kind of contract is Haram. The Prophet, pbuh, said about such a situation "you get the lowest of the two prices as the difference is a [pure] Riba (interest). In case of insurance, it is automatic and customary by companies in the USA and most other countries to contract for either one payment or a higher installment price and usually you receive the bill with that option. The best solution is to ask the company from the beginning that you want to pay on installment then the bill may come to you with only the higher installment price. This is permissible because selling at a higher deferred price is permissible (the prohibition in Shari'ah is on an increment in a debt not on the idea of financing. This means that while financing by sale of goods and services for a reward is permissible because goods and services have real value and benefit, increments in debts or loans are not permitted because these are increments in an abstract asset, a debt that cannot have any intrinsic utility.

If you cannot contract the insurance company as suggested from the time you ask for the service, make your intention when you buy the service that you are taking it for installment price; this means that you discard the cash part of the bill when it comes because it does not represent what you wanted to contract with the company. This makes it permissible to pay the higher price. On the other hand accepting the sale of the insurance service on either a cash price or an installment price means that you must choose only the cash price and any increment in the installment price becomes a forbidden interest, an increment in the debt (the cash price that becomes a debt on you the moment you contract purchasing the service).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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## **Retirement Pensions**

Subject: Receiving Pension Insurance Upon Retirement

From: Lutfi through Islam on line

Sent: Sunday, February 19, 2006 12:32 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I'm interesting about old-age benefits. I'm living in non-muslin country, and we're paying every month to insurance company health (disability) insurance. But the problem is that, when I'm gone be pensioner (retired person), I'll receive monthly incoming from that insurance company which is working with interest (riba). Is that allowable in non-muslin countries or no? Selam  
Jazakum Allahu Khairan for your constant help

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. Lutfi

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Insurance-based pension systems are permissible. They exist in the Muslim countries for more than a hundred years and are discussed and approved by great Shari'ah scholars. Besides, insurance itself is permissible as it does not violate any of the Shari'ah precepts and it is a useful or necessary contract. (There are scholars who argue otherwise on the basis of Gharar, but I don't think that their argument can really be substantiated).

Furthermore, you have an exchange relation with the insurance company, it is none of your business what kind of transaction it makes with other persons, i.e., its interest transactions with other entities are not part of your contract.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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