

FATAWA INSURANCE 2007

Insurance in General

Subject: Permissibility of Insurance Policies

From: Ayesha

Sent: Sunday, July 22, 2007 11:46 AM

Question

ASA,

Do you agree that insurance policies are permissible? JAK. ASA

Ayesha

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad,
wa ala Aalihi wa Sahbihi Ajma'in

Sr. Ayesha

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Insurance contracts with commercial companies are controversial. Some scholars believe they are permissible with conditions on the ground that they are new contracts that are beneficial. Others argue that they are not permissible because they include a great deal of ambiguity regarding the responsibility of the parties being dependent on the unknown. The conditions required according to the first group of Scholars are: 1) the contract must not be based on interest; and, 2) the object of insurance must be permissible in our religion. I stand with this group. Consequently, if insurance is not based on interest and if the object of insurance is permissible, the insurance contract with commercial companies is permissible. This means that car insurance, accident, hazards, employment, health, and term life (also some other kinds of life insurance that are interest-based) insurance are permissible. According to the second view one has to change the structure of insurance provider and the nature of premiums paid in order to make insurance provision on cooperative basis and premiums on donation basis to make insurance contracts permissible.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Permissibility of insurance

From: mason

Sent: Thursday, July 05, 2007 11:45 PM

Question

assalamu alaikum Dr. Munzer,

I hope all is fine with you and your family. I would like to ask you about retirement insurance? You know it's not only that you give the company monthly payments to keep it for your until you get old, it's more to do with interest rate! is it ok to have something like this ? or is there any other Islamic way? This insurance is not obligatory by law like medical or car insurance. But it is highly recommended because the government has announced that in 20 years there will be no money for retired ppl and that they have to go for private insurance companies. Before she converted to Islam, my wife has sign such a contract with a private company and she is paying them every month till now. It's also the question what should we do with this? Keep it? Cancel it? And about the paid money?

Jazakum Allahu Khairan

Mason

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mason

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Interest-based insurance is not permissible in Shari'ah. If you happen to have taken it, as the case of your wife, you may like to either transform it to equity based (many companies offer what they call ""variable equity insurance"" or cancel it provided you will not loose much. Whatever interest in it you will need to calculate and give it away to Muslim charity when the policy is cashed (i.e., you don't have to do it now). When you take the ""variable equity insurance"" you still need to make an estimation of the Haram component because insurance companies usually give you some choice of selecting investment funds but all of them still invest in some non-permissible stocks, with a good choice of funds, this margin of Haram can be reduced to a minimum.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Life Insurance

Subject: life insurance

From: MIMI

Sent: Monday, February 19, 2007 9:56 AM

Question

Assalamo Aikom: Dr. Kahf.

I have bought term life insurance 2 years ago, mainly for living benefit for any critical illness. I might have in the future. I wonder if this is Halal or not?

Your answer very much appreciated.
Wasalamo Alikom.
MIMI

My Answer
Dear Sr. Mimi
Assalamu Alaikum wa Rahmatullahi wa Barakatuh

I need you to tell me what are the main features of the policy, please, so I can tell whether it is ok or not. Next time ask the question before you make the contract, please sister, not after it

Best Regards,
Wassalam,
Monzer Kahf

From: MIMI
Sent: Tuesday, February 20, 2007 4:37 PM

Question

Assalamo Alikom Dr. Kahf:

Please read my daughter explanation for the life insurance policy which I agree with bellow:

“Mom, this is basically asking for the details of your insurance plan.

This is a Term life insurance plan which basically is a life insurance plan that will pay out a modest lump sum to one or more beneficiaries and it has the following features:

Critical illness benefit - where it pays out a very modest amount if diagnosed with a heart attack, stroke or cancer for the first time in your life and

Living benefit - which allows you to take out money from the plan if you are diagnosed as terminally ill with a short amount of time to life.

As I understand it, mom, the reason you got this is to ensure that you cover any health care costs that you may need to cover in the case that you become quite ill (explain that you are a serious diabetic and that this was the reason you got it) and that you feel this is necessary as you do not have extended health benefits and the insurance policy was the only way for you to essentially get the same as an extended health coverage because no health insurance policy would accept you because you have already been diagnosed with diabetes and are on serious medication for that and high blood pressure.

I hope that this helps...feel free to forward this response straight to the imam. I guess if he is asking to find out what the features are of your insurance, there are some kinds that are Halal and others that are not...

Take care,”

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. Mimi

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

May be I asked the wrong question. What I meant to ask is to check if there is any amount that is going to be paid to you at any moment in the future without being related to an incidence such as illness, etc.

While there are scholars who believe that insurance is not permitted in Shari'ah, there are also others, I am included, who argue that insurance itself is permissible but it must not be based on interest. In life insurance any policy that pays a predetermined amount at a given point in the future regardless of any incidence, is actually based on interest. This feature of a life insurance policy makes it non permissible according to the opinion of this other group of Scholars.

If your policy always relates the responsibility of the insurance company to a thing that may happen to you, it is not basically interest-based.

Besides, what I've seen as "Term life" policies all pay the insured amount (face value) to beneficiaries after the incidence of death or to the insured once she/he becomes terminal and expected to live only a short period. I did not hear of a term life insurance that pays also in case of certain illnesses as you mentioned.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Term life and medical insurance

From: tariq

Sent: Friday, February 23, 2007 4:43 AM

Question

Dear Brother Monzer, Asalamualikum:

Thank you brother for replying to my earlier question regarding housing loan. I have a few more questions this time which I hope will be answered by you.

1. What are Shari'ah rulings on living in a house on lease basis. I have heard various people stating that this is not permissible in Islam since the lease amount is returned to the tenant on expiry of the lease period and the landlord does not get any money for leasing his house since there is no monthly rental.
2. Is it allowed to take a Term Insurance policy, i. e., against a certain amount of premium, a person's life is covered for an 'X' amount which is paid to his family in case of death of the policy holder. No amount is paid otherwise.

I have read your opinion on life insurance which says that it is permissible as long as there is no element of Riba involved. My other doubt regarding any kind of insurance stems from the fact that it looks like a case of lottery where money from various people is pooled and is paid to someone who faces a certain situation like

accident death etc. How it is Halal since his contribution is less than what he actually gets?

What is Shari'ah ruling regarding medical insurance and what is the thumb rule to choose a Halal insurance policy?

Wasalam

Tariq, India.

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. Tariq

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1) I don't know what do you mean by leasing in the context of your question? And I don't know a leasing contract that returns the rentals paid to the tenant at the end of the lease?

Please explain

2) There is a tremendous difference between lottery and insurance. In lottery you create a chance, it is fabricated or artificial and you pay for buying this artificial change. In insurance you diffuse unknown risk between a large number of people who have similar unknown risks. This is a real risk not artificial! Term life insurance is permissible as long as the contract does not include any interest clause. Also medical insurance is permissible, it usually does not have interest component. You've read opinions on the internet, and of course you are aware that there is another opinion that proclaims insurance Haram on the ground that it involves Gharar (the argument of being interest or gambling based does not hold ground and was rejected by the OIC Fiqh Academy). Those who argue against insurance on the basis of Gharar add that if insurance is offered on Contributory and cooperative/mutual basis it becomes permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Life insurance

From: Azdin through Islam on line

Sent: Wednesday, April 11, 2007 4:22 AM

Question

Assalamu alaikum, Jazakmu Allahu khaira for your help and support. Following with our case, reference number B97EQp, the building saving contract is coming to an end and my wife will get back an amount of money. She will get rid inshaAllah from the interest side as mentioned earlier. The question now is about the zakat. This account has been alive for five years, does she have to pay the zakat for each year? Or just for the final sum?...

Almost same question on the insurance part, my wife wants to cancel it though she will lose the amount that it has been sent for two years. May Allah accept from her. Is she obliged to pay zakat for the amount that was sent the last two years? If yes, how? Knowing that each month an X amount was paid. Knowing that all these money has been paid by her father. May Allah accept from you! Wassalam

Below is the previous question and the answer given to him under the reference number B97EQp

Question

Assalamu alaykum, May Allah accept your help. My wife is Muslim almost five years, around the time she entered Islam, her father (non-Muslim) created a Building Saving account for her in a Bank and during this period, he was the one sending a fixed amount to her account. The Building Savings is a government-subsidized product (donation) designed to support housing needs. So there is a State allowance plus a 2% interest from the bank itself. The Interest from the bank we believe it is haram and we will get rid of it inshaALLAH. The question is about the state allowance, what is its status in Islam? Today, alhamdulillah we are not in an urgent need to buy a house, we are planning to move to another country next year inshaALLAH, could we use this money for housing purposes then? An other issue with her father :-), from her birth he is having for her a life insurance so if anything happens to her, her parents will receive some amount of money. As I got to know, interest is associated with it, what do you recommend in this case? I believe that her father has been having good intentions when he created such contracts. However, my wife wants to be in the safe side. We are planning to go to Hajj inshaALLAH this year, please make dua for us! Thank you! Wassalam

Previous Answer of Monzer Kahf

In the Name of Allah, Most Gracious, Most Merciful.

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger. Dear questioner, we would like to thank you for the great confidence you place in us, and we implore Allah Almighty to help us serve His cause and render our work for His Sake. In his response to your question, Dr. Monzer Kahf, a prominent economist and counselor states:

Dear brother Azdin, first, may Allah accept your good intention and your coming Hajj, both of you.

1. Just as you said, the interest the bank gives on this saving account is Riba and it is Haram because it is her account and a Muslim must not earn any Riba. What you do with it, give it to a Muslim charity to be spent on the poor and needy, it is not Haram for them because of their need. (If the account is in her father's name and at any future point of time he gave her a gift, say the total money in such an account, we don't go into what details it consists of, and she can take the gift of her father without asking him about the source as long as it is legal according to the prevailing law in his land).
2. The government subsidy is HALAL, it is permissible because it is given according to law. Any government may give some one some amount of money, as long as it is not a bribe or not to tame an action that hurt others like retention that is done by American

CIA, that giving is permissible and accepting it is also permissible in Shari'ah. That is you can use this government subsidy for any purpose, of course within the law. The insurance policy: Most life insurance policies have interest element in them that make them not permissible for Muslims. In the case of your wife, it is not her policy, she is not the owner of the policy nor the beneficiary. It is her family's policy, and her parents are not required to follow the terms of our religion. Your wife has no sin at all in regard of the interest element in this life insurance and she does not benefit from it any way as the benefits will be received if she dies. This policy may have a clause, that is typical in many insurance policies that says: should the insured stay alive after a number of years, the face value of the policy will be paid to her. If the policy has such an article when your wife receives the amount of the policy she will then be required to give away to Muslim charity the accumulated interests in this amount (this is easily known and you get this info from the insurance policy, it may also be mentioned in the contract itself.). In other words, she can take the amount paid by her father plus the return on it if it was invested in permissible manners. Allah Almighty knows best.

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. Azdin

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Zakah is due on every rich Muslim, female or male, major or minor every year on all the wealth she/he owns including savings and debts on other persons. If the building saving account is in your wife's name, she is required to pay Zakah on its total balance, minus the amount of accumulated interest, effective from the day a lunar year (354 days) is completed on either the date when she became Muslim if the amount of this saving was then equal to Nisab (approximately US\$ 1000) or the date when she owned this amount for the first time. The rate is 2.5% and this is a yearly obligation, i.e., it must be repeated every year. Normally delaying Zakah payment, with no valid excuse, from its due date (the 354th day) is sinful but in this case there is no sin because she is not required to make payment for any year from other resources and she can delay payment until she liquidates the Zakatable asset itself, in this case the Building Saving and pay the due Zakah on past years together. Obligated Zakah for all past years becomes due upon liquidation. Of course you can make an educated estimation for every past year and add may be add a few extra dollars to be on the safe side of the estimation.
2. As you rightly said, interest accumulated over all past year, SINCE SHE BECAME MUSLIM, must all be given to the poor and needy or to Muslim charitable organization in order to keep her own money pure and clean. This is why this amount is not subject to Zakah, it is not considered her money and it is wrong to return it to the bank that paid it because of its interest practice, you then give it away to the poor for whom it become Halal. The same thing applies to interest accruing to life insurance.

3. The government contribution into the building saving is Halal, it is a government grant by law we deserve it by law because we are a part of the society and tax payers.
4. I don't know why does your wife want to liquidate the life insurance? I believe it is Halal for her, even according to the most rigid view (my personal view is that life insurance is permissible anyway as long as interest is not a major component of its contract. In your wife's case, she did not buy the insurance and she did not contract it and she does not pay for it! it was given to her as a gift from another person and if there is any prohibition she did not commit it! This means that if she decides to keep this contract and leave it until death where her children will benefit from it, it must be permissible, you don't ask about whatever interest involved in it because she did not contract it. It is simply a death benefit that is deserved upon death. But if she liquidates this insurance policy, whatever interest accumulated since she became both Muslim and owner of the policy must be given to Muslim charity.

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

Subject: Is life insurance benefit an inheritance or not?

From: Mokhtar

Sent: Friday, April 13, 2007 4:17 AM

Question

Assalamu Alaikum Dr Monzer,

I tried to follow you fatwa on whether the money received from life insurance is considered inheritance or not. I just want to make sure because many of us here (in the American University of Sharjah in the UAE) are required to divide the benefits by our HR department. If it is an inheritance then we have to find out the correct way to do it. If it is not inheritance then we will be free to determine such division. Best regards,

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. Mokhtar

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

It is exactly as you said it. You can treat death benefit as inheritance but you don't have to do so because it was not owned in life time. So one may have a choice unless a government authority interferes and put it in either way then it becomes binding on people of that country.

Wa Allahu A'lam

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

Subject: Query on mutual funds and life insurance policies

From: Thahir through Islam on line
Sent: Monday, April 30, 2007 6:23 AM

Question

Dearest Dr., As-salamu alaykum
I hope you are well and enjoy the blessings of Allah.
I want to know whether the "Mutual funds" and "Life Insurance policies" in India are forbidden in Islam or not. Thanks in advance,
Thahir

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

We have discussed this issue of insurance many times. In India it is more necessary for Muslims and Mosques than in other other areas because of the communal riots. We've always argued that insurance, of all kinds, is permissible provided we avoid interest in the contract and that only one kind of life insurance (the whole life) is based on interest. Other insurances including life, cars, accidents, hazards and shipping all not based on interest.

For Mutual funds, there is no difference again between India and other countries. It depends on the permissibility of buying and owning the stocks in which the mutual fund invests. If these stocks are permissible, the fund is then permissible. If the stocks are tolerable with purification, the fund is also tolerable with purification and if the stocks are not permissible, the fund is also not permissible.

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

Subject: Life and Disability insurance

From: Mamun
Sent: Thursday, December 27, 2007 11:27 AM

Question

Brother Kahf: ASAK.

It is my understanding that separate accounts established under a variable insurance policy having non-interest bearing funds such as all stock mutual funds are permissible under the Shari'ah principle. Obviously, companies (originally) issuing the stocks need to be qualified, such as, no tobacco, pornography, gambling etc., and the capital structure cannot be leveraged more than 33 percent and so on. On the other hand, the policy holder does not have any control on the underlying assets on term life which may be invested in balanced funds (bonds and stocks) or otherwise. The question becomes how can we assure investments based on Shari'ah Principle under term-life policies when we don't have control over the investments? Typically insurance companies put \$3 of \$5 dollars in reserves for liquidity and they are retained in interest bearing accounts and corporate bonds for term-life insurances.

One other question I have for you is though insurances are aleatory (unequal) contract. The cost of few are borne by the majority (the law of large numbers). Is it permissible in Islam? Isn't lottery Haram? If it is, can you please provide us with a reference from the holy book, Hadith or any other authoritative sources based on your research? This will enhance our understanding and I can quote such sources to my clients like brother Dr. Najeed. Best regards,
Mamun

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mamun

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please notice the following:

1. Stocks held in variable equity mutual funds, although they pass the criteria are still subject to the purification principle in regard to the amount that belongs to a Muslim policy holder.
2. Term life contract is an exchange contract, not an investment contract. In exchange you don't interfere with the other parties assets. and it is not of your concern how the other party uses its assets. You do not need the assurance you thought you wanted to seek because it is none of your business like when you sell bread to a customer, you cannot question the customer about its uses of assets and sources of funds, etc. your concern is limited to the permissibility of the exchange contract between you and the other party only. Can't we make a Shari'ah compliant finance contract with a conventional bank although we know that the funds it gives us are coming from interest?
3. You cannot define gambling from your own (any use of probability theory) and then apply the prohibition of the Qur'an to whatever you defined. Gambling that is prohibited in the Qur'an is distribution of wealth for no valid reason such as a dice thrown or numbers rolled. There is no prohibition of any use of chance or random

selection. Random selection was done by our beloved Prophet, pbuh, for choosing who among his wives would accompany him on a trip. He also praised a clan called al Ash'ariyyin because when they go on travel, they collect the food brought by each and pool it together and eat from it together (whoever may eat more or less than he brought) and the Prophet said about liking this practice: "I am from them and they belong to me." If you want to cover the prohibition of cooperation for risk bearing, even through a profit seeking organization, by the prohibition of gambling you need to have evidence to support you from the Qur'an, Sunnah or Shari'ah rules. The use of law of large number, probability theory and random selection are of course permissible and changing hands on property for no valid reason is not permissible and these are two different things that do not relate to each other.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Subject: Life and disability insurance

From: Syed

Sent: Monday, December 24, 2007 11:36 AM

Question

Dr. Kahf: As salaam Alaikum! I heard you speak at our community center few years ago. I would like to know about specific insurances for life and disability that you mentioned are compliant with Shari'ah. Please advise. I copied my financial adviser who is also our brother Mr. Mamun from Morgan Stanley and he would like to talk to you too. I would appreciate if you could kindly let us know and advise accordingly.
Syed

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad,
wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. SYED

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You may remember that I must have said that insurance, all its kinds, is controversial. I believe in the view that considers it permissible with two conditions: 1) The insurance contract must not be based on interest which means that if interest is basic in the contract the whole contract becomes in violation of Shari'ah; and 2) the object of insurance must be permissible which means that insuring any thing that is prohibited is not permissible and example is. Consequently, life and disability insurance is permissible if it's not interest-based. (insuring the incidence of disability or the incidence of death is permissible, of course insurance has nothing to do with whether the incidence happens or

when it happens). Accordingly, term life is permissible. So is variable equity life with the conditions that 1) one selects investment funds that are least involved with Haram activities including interest; and 2) applies the purification principle by giving away to Muslim charity the percentage that one, educatedly, estimates as coming from such Haram activities.

On the other hand, whole life contract that gives the insured a lump sum after certain period of years should death does not occur is based on interest because the amount given is the result of investing the investment part of premiums at a compound interest for the period of the policy.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Subject: Life Insurance

From: Miguel through Islam on line
Sent: Monday, May 28, 2007 1:51 AM

Question

Alsalamu alaikum; I live in a country without social security; and would like to know about life insurance; specifically one which is fixed premium and payout, ie. I pay a fixed amount per year and my family will receive an x amount upon my death, there's no reimbursement, payback or whatsoever; since there's no interest; is this halal? Salamat Jazakum Allahu Khairan for your constant help

My Answer:

Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Miguel
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The issue of insurance is not basically a matter of Riba or interest (although some life insurance contracts have built in interest (the contract that gives you the face value after the passage of a given number of years). It is the ambiguity in the contract (Gharar) that matter. It is manifested in the fact that one does not know when death is going to happen. Therefore how many premiums are going to be paid. Based on these points some scholars argue that the contract is not permissible on the ground that this ambiguity is intolerable. Some other scholars argue that it is rather permissible because of two reasons: 1) the amount of ambiguity is in fact not high because of the application of the probability theory and large numbers, it becomes rather a contained ambiguity and 2) because this contract is very useful or rather necessary as in your case. I belong to this view and always give the opinion that whenever the insurance contract has no built in interest, it is permissible. Life contract that has no interest is that which does not give a payment of a

given amount after a given number of years. If your contract is not like that, it is usually called term life insurance and it is permissible.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Car Insurance

Subject: Islam's Stance on Life and Car Insurance

From: through Islam on line

Sent: Thursday, August 30, 2007 6:44 AM

To: Monzer Kahf

Question

Asalamualikum, I live in Canada. My question is that is it allowable to take Life and Car Insurance? What Quran or Sunnat or Ijtihad says about the Life and Car Insurance? Because in Canada it is against law not getting car insurance before getting registration. Looking forward your reply. Allah Hafiz Nauman

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Nauman

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. Whenever an insurance contract is required by law, it is permissible to take with no disagreement between all scholars. This clearly applies to car insurance as you mentioned.
2. In answering your question on insurance we must realize that insurance contract is a new one that did not exist in the past of the Muslim society. Therefore you may not expect any statement about it in the Qur'an, Sunnah or classical Fiqh. Shari'ah scholars and experts studied this contract since it became known in the Muslim countries over the past one hundred and fifty years. Some of them approve of it and others don't.
3. The view against it is founded on the following: it amounts to interest because you pay money and you get money; it is a form of gambling; and it contains a great deal of Gharar (ambiguity-cum-uncertainly).
4. The fact is: it is not interest because it is not money for future money, it is rather money (the premium) for security (that if any thing happens ... the company takes charges of most of the loss or gives a sum, in life insurance, to help relieve the circumstances); some insurance contracts may include interest conditions. It is not

gambling because gambling is betting on pure unrelated matter such as throwing a dice and transferring funds from one hand to another because of what comes, in insurance there is no betting as it is founded on statistics and the probability theory that only applies to large numbers. The Gharar is of course there because of the unknowability of time of frequency and amount of obligations of the two parties.

5. The suggested solution is to create insurance providers that are not commercial companies. Hence, the idea of co-operative companies that is called Takaful came and also to found the contract as membership fees instead of premiums that represent a price paid by the insured.
6. The view for insurance contract is essentially as follows: It is a new contract that is beneficial, it is necessary in many circumstance of modern life, it does not violate any principle of Shari'ah, the Gharar that is in it is tolerable according to the Shari'ah rules (that in a necessary contract one overlooks the Gharar) and it is also contained by the fact that insurance only works for large numbers not for one insured alone. However if the insurance contract is permissible there must be conditions that may make it Haram for other reasons besides the contractual relationship itself. Hence, if an insurance contract is based on interest (as the case of whole life insurance contract) or if the object of insurance is prohibited (such as insuring a shipment of liquor) contracting insurance with any of these two matters becomes prohibited.
7. I tend to agree with the second view and argue that insurance, including life insurance has become almost an important necessity of our lives today. We still have to avoid any interest clause in its contract. Of course if a Takaful cooperative exist we better go for it, for instance it allows accommodating all views and it also gives us the additional advantage of investing its money (reserves and other funds) in accordance with Shari'ah.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin

Wassalam
Prof. Dr. Monzer Kahf

Subject: Car Insurance
From: Wael and Asim
Sent: Monday, August 13, 2007 7:39 AM

Question

Dear Sir, I live in Lahore, Pakistan. Considering our rough mismanaged traffic, and very little implementation of law, Can I make insurance of my car that I have just bought. I have heard that all insurance companies here invest our money in interest-based business. Please advice. Allah Hafiz
Asim

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad,
wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Wael, Br. Asim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If you have Takaful companies that provide Islamic car insurance it is better to take them. But if there are no Takaful companies you will have to go to conventional insurance companies. My Opinion is that car and most other forms of insurance are not luxuries in contemporary live anywhere in the world, they are necessities unless you live alone in a desert with only two camels! You must take insurance from conventional companies if an Islamic one does not exist or does not provide the needed services/contracts. It is none of your business how the company uses its money nor how does it deal with other persons, asking about these is like poking your nose in other people's affairs and that is not required but it is rather wrong!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Accident and Income Protection Insurance

Subject: Accident and income protection insurance

From: Hossam through Islam on line

Sent: Monday, May 07, 2007 1:16 AM

Question

Dear brothers, salamo alykoum

I have two related questions please:

I live in New Zealand

First one is about ""income protection insurance"". This kind of insurance covers you in case of illness or disease that stops you from working permanently. it provides 80% of your lost income until age 65. In new Zealand there is a social welfare system that provides support for people with no income for sickness or unemployment etc. the provide bare minimum finances.

In case of myself the actual income is about three times the welfare financial support, which means significant drop and changes of my family life style.

Second: similar insurance for accidents that provides lump sums payments in case of permanent disability as a result of an accident.

I would really appreciate your advice, jazakum Allah khyra

Hossam

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. Hossam,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

These two kinds of insurance are like other insurance kinds, they don't have any substantial difference that may affect the Shari'ah ruling. You probably know that there are two views about insurance offered by commercial companies: one goes for the prohibition on the ground that the amount of ambiguity (Gharar) in the contract is intolerable. The other is the View of the late Shaikh Mustafa al Zarqa (Died July 1999) on the ground that ambiguity is not in fact intolerable because it is educationally estimated by the application of the probability theory on large number. Besides he argued that insurance, of all its kinds, became necessary in modern life and even gross ambiguity does not negatively affect the permissibility of a necessary contract. He also quoted similar contracts that are known in our classical Fiqh. I go along with this view and my opinion about the two kinds of insurance contract that you asked about is that they are permissible to take and whatever funds paid in case of accident or unemployment/disability is permissible to take too.

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

Working in Insurance and actuary and Insurance agents

Subject: Working as Actuarial and insurance agent
From: Muhammed
Sent: Tuesday, October 02, 2007 2:56 PM

Question

Assalam o Alaikum Mr. Kahf,
I hope inshAllah you are doing well. I wanted to ask you a few questions regarding working in insurance companies.
I live in Canada and attend the University of Waterloo. A number of Muslims want to be actuaries. However, I am not sure if they should pursue this profession. I have read the opinions regarding indulging in insurance and what I do not understand is how it can be halaal? In other words, can you explain to me how insurance can be halaal? I was wondering if you are able to explain how insurance can be halaal if it does not have any riba-based term(s) in the contract when the concept of insurance surely sounds like riba to me. Walaikum Salam and jazakAllah khayran
Muhammed

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad,
wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Muhammed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Specializing as actuaries is permissible and it is a useful profession not only for interest-based insurance contracts but also for Islamic insurance and social security and pension funds. On the other hand, Insurance is a new contract that did not exist in the past, not at the time of revelation. It has become necessity because of complexity of technology, trade, economic and social life. There is no Riba in it as a matter of fact at all. What is it more than pooling resources to distribute risk and diffuse it to a large number of people who share similar circumstances? Where is the Riba in it? Insurance does not work if it were between two persons only, you have to have a large number and that is why you need actuaries! When you don't have a large number, in a small company, it includes itself and its clientele into a larger one through re-insurance. Additionally it has the meaning of co-operation that is encouraged in all religions. This is the basis of the view that considers it permissible. Then this view argues the objection on the basis of Gharar (un-knowability-cum-uncertainly) and concludes that the issue of Gharar is usually overlooked, even if it is basic to a contract, when the contract is necessary or has no alternative.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: selling insurance policies

From: elsayed

Sent: Thursday, June 28, 2007 4:50 PM

Question

Dear Dr Kahf: AA

A friend of mine asks whether or not he can sell life, health and annuities insurance products for a traded insurance company. Thank you.

Elsayed

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad,
wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. elsayed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Of course selling prohibited product is not permissible. Let apply this on insurance products. There is an opinion that looks at all insurance as prohibited on the ground that

as an exchange contract between the company and an individual this is a contract that contains a great deal of Gharar (ambiguity-cum-uncertainty). The rule is that a great deal of Gharar makes a contract void and null.

The other opinion is that the amount of Gharar is not great because it is contained and estimated by the application of the probability-based actuarial system/studies and not a great deal of Gharar is tolerable especially in such an important (or even necessary) contract like insurance. I argue along the second line. Yet according to this view there are two conditions for permissibility of insurance: 1) the object of insurance must be permissible (accordingly and as an example, insuring a shipment of liquor is forbidden); and, 2) there must be no Riba (interest) in a basic corner of the contract. According to the second view general insurance (hazards, fire, car accidents, transportation, etc.) is permissible (it is not of our business to follow up on the conventional insurance company and look after its use of money), also is permissible the kind of life insurance contracts that is not interest-based such as term life insurance and variable equity insurance. On the other hand, regular life insurance contract that gives the insured a right to collect a given amount after certain number of years should she/he not die before that date is interest-based and therefore it is not permissible. Annuities are also interest-based. Consequently selling permissible insurance contracts is permissible while selling insurance contracts that are interest-based or if the subject of the insurance contract is not permissible (e.g., insuring a liquor store) is not permissible.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: elsayed
Sent: Tuesday, July 03, 2007 7:31 AM
To: Monzer Kahf

Question

Dear Dr. Kahf: Assalamo alaykum:

At the outset, I want to thank you for getting back to us in a reasonable time. Second, that person is going to sell accident and health products which are okay as we understood. But he is also going to sell life insurance. He does not know if these sales involve interest-based notion or not. This is an area he is asking about. Can he go ahead with life insurance products sales regardless without asking about their base or no? Another thing, heard about the permissibility of buying life insurance with the intention of treating it as an investment. At the end of specific term, you can or the heirs take the policy \$ figure back. Is this applicable? Thank you!

My Answer:

Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad,
wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Elsayed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I always argue that selling what is Haram is Haram. He may sell insurance contracts except the kind that is Haram. this means it is Haram to sell regular life insurance and any insurance contract of liquor stores, night clubs and the like. Others are ok.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Controversial Insurance Practices

Subject: Insuring to the benefit of others

From: Larbi

Sent: Wednesday, September 12, 2007 6:41 PM

Question

As-Salamu `alaykum! I would like to know if the following business scheme is halal or haram

- 1) I create a company offering life insurance for free to poor people that can't afford life insurance premium cost and once they died will leave nothing as heritage to their family (when i say they are poor it means that they have no property no asset to leave to their family, workers with rented houses, Thank you for helping me)
- 2) The company would go toward paying the premiums.
- 3) After the death the monies of each policy would be split three ways: - \$20,000 to the deceased person's family. -\$20,000 to charitable works -\$240,000 to the company
- 4) Sell the company to a fund or invest.

Thank you for helping me this opportunity has just been offered to me and I don't know what to do because in one way the poor people without life insurance will let their family with 0 heritage but if they are insured they will at least leave some monies to help their family and charitable works but also its profit from peoples death, thank you.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Larbi

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

- 1) Again, any poor person has something to bequeath. You may mean has no real estate, but they have cloth, utensils, furniture and may be an old car, etc.
- 2) If we assume that life insurance is permissible, do you think that such a plan is viable? Take America as an example. a life insurance that gives you \$ 280, 000 will cost you no less than \$ 900 per year for a young person. Will you be willing to pay that much, or will

there be investor who will put that money for an estimated 40-50 year, and the yearly insurance rate is escalating as the person ages? Please tell those who suggested this idea to you: Do you think this is a viable investment? Besides, the charity doesn't need you nor this fake plan! Does it? Take it all to your self don't play with the emotions of loving charity! Add to it: would the poor today remain a poor forever? and remains under your accessibility that you will prove their death when they die? Would taking life insurance on other persons be limited by laws to very narrow cases to prevent possible crimes? Would such an investment fund hire killing gangs to increase its profit? If you think this is viable, try it for your children, they usually don't own real estates!

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Larbi
Sent: Thursday, September 13, 2007 9:59 AM

Question

Dear Professor, Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh Ramadan moubarak

1) I didn't understand well your email and I am still confuse I'll try to explain myself Better here after 1) you are right the money will be an extra asset to cloth car etc. 2) Regarding the law and viability of the project its fine even with 40/50 years premium to pay.
2) Fake charity and playing with emotions: I am a businessman but I don't do business with alcohol, gambling or drugs. I have morality and this business of life insurance exists already as life settlement with people owning Life insurance. I am interested in this business as long as: there is win win with those people who cannot afford insurance premiums so its really not for me fake charity or playing with emotions And as long as the company is dealing with top funds that cannot hire killing gangs I beg you please to believe in my honesty and help me in taking a decision and to inform me if this business is halal Or haram . Thank you. Wassalam

My Answer:

Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Larbi

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I did not at any moment doubt your honesty or even referred to it. What I said about those who suggested this to you is that they do not need to play with emotions by suggesting giving to charity. This giving does not legitimize or illegitimize the transaction. I know about the business of life insurance settlement for old people and I know that there are any (and much more than you imagine) law suits against them, very often they mix business with spam! It is good that you do not deal with alcohol as I of course expect you

as a Muslim whom I address as a brother. I personally believe that life insurance is permissible if the contract is not interest-based. But my argument is based about the dire need for it in our modern life. I don't accept it to be a business for profiteering using the poor person who cannot afford buying it. I don't believe that such a business venture can ever be legitimized from Shari'ah point of view when you take it in its totality. Life and all its ventures are not win win! And there is always something smelly in any thing projected as win win.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Health Insurance

Subject: Islam's Stance on Health Insurance

From: Abdul Gafoor through Islam on line

Sent: Sunday, August 12, 2007 2:19 AM

Question

Bismillahirrahmanirraheem Dear Brothers, Assalamu Alaikkum, I would like to get the clear answer for the following question in the light of Al Quran & Authentic Hadith, Q : Is having Health Insurance Policy permitted in Islam? And is working for a company's Health Insurance Claim Department permitted in Islam ?? Jazakumullahu Khairan

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdul Ghafoor

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Brother please when you ask don't say "in the light of Qur'an and Sunnah" because whoever gives you a Fatwa he/she is going to give it in accordance with the rules of Shari'ah these rules are not the Qur'an and Sunnah. There are many principles that come in Shari'ah that are based on the Qur'an and Sunnah but not specifically mentioned into them! There is nothing in the Qur'an and the Sunnah about insurance and that is why it is controversial and, please, you should be assured that there is no final word on most controversial issues and there will not be one until the Day of Resurrection! My opinion is to follow the Fatwa of the late Shaikh Mustafa Zarka (Died 1999) that all kinds of insurance contracts offered by companies that seek profits and by mutual companies are permissible provided two conditions are together satisfied: 1) the contract is not based on interest and 2) the object of the contract is permissible (for instance, it is not permissible to ship or insure liquor). Accordingly, health insurance is permissible to offer, to buy and to manage. the only reservation I may have about working in or managing a health

insurance company is: some of them may have a lot of reserves that they invest on interest. Thus working in the investment department of such a company may raise a serious problem.

On the other hand you will hear other two opinions from respected scholars, though I don't agree with their argument. 1) only cooperative donation-based insurance is permissible and 2) insurance is prohibited all together.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf
