

# FATAWA INSURANCE 2008-2012

## **Subject: permissibility or prohibition of insurance**

From: Rifai

Sent: Wednesday, February 18, 2009

Location: United States

### **Question: Life insurance**

Dear Dr Kahf,

Assalamu Alaykum,

I work for a software company , as part of my benefit package my company has got an insurance policy for medical and a life insurance cover. Can I enjoy the benefit from these insurance policies? Can my family benefit from the life insurance policy? The insurance policy is with a non-Islamic insurance company. I haven't signed any documents with these insurance companies and my company has signed the contracts.

Barakllah Feek.

Regards

Rifai

### **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. Rifai

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is a kind of fringe benefit of employment, you did not contract and all its benefits are permissible including the life and medical. The reason is: Look at it this way. You company tells you that you get this benefit and it assigned an agent to provide it on its behalf. The relationship between the company and its agent is none of your concern.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

## **Subject: Takaful**

From: Hajara

Sent: Wednesday, May 06, 2009

Location: Nigeria

### **Question: Malaysian Takaful Act 1984 review**

Dear Dr Kahf,

Asalaamu alaykum wa rahmatullah wa barakatuh.

Would you kindly review the attached Malaysian Takaful Act 1984 to see whether it is alright for adoption in Nigeria and indicate amendments, changes, deletions and additions where necessary.

Many thanks.

Regards,

Hajara

**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 Sr. Hajara

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please receive the Malaysian Takaful act. My only observation on it is that it allows Takaful operator to share, as a Mudarib, in the surplus of Takaful fund by remaining silent on this point. AAOFI Takaful standard does not allow this concept and considers it in violation of the rights of policy holders because there is no commercial practice in regard to this surplus that may justify such sharing. I made changes in Article 16 to make this matter clear.

Another point of importance is that management fees charged to the Takaful funds or deducted from premiums paid by policy holders in both family and general Takaful must be subject to supervisory approval. I know that this is the practice in Malaysia but I did not find it in the act, may be it is left to supervisory instructions.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: zarjoon

Sent: Wednesday, July 08, 2009

Location: Saudi Arabia

**Question: Airlines Insurance**

Assalamualikum

I'm Zarjoon,

My question is regarding insurance tax in airlines; actually each passenger has to pay tax for insurance, except for few airlines. Insurance is haram in Islam, please give me a fatwa for insurance tax is permissible? Because I'm afraid that I am involve if it's haram? Can I work this field?

Kindly give me a fatwa

jazakhalahu Khairun

Zarjoon

**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. Zarjoon

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Insurance tax is permissible for a government to impose and permissible to write it and collect it on ticket if required by the government. Insurance is controversial when it is voluntary. Also tax alone is the discretion of the government when it is for a specific service given as in this case. It is better to finance such service from fees imposed on the beneficiaries of the service, in this case travelers.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Amina

Sent: Sunday, March 21, 2010

Location: Toronto, Canada

**Question: Home insurance**

Assalam 'alaykum warahmatullah respected scholar,

May Allah swt have mercy on you, I apologize for taking your time. However, I have a question that I really need to ask due to less amount of time.

Me and my husband are moving from states to Toronto, Canada and we are looking for an apartment in a Muslim community, walking distance from the masjid. However, the ones that we found say it must to have home or apartment insurance. Please tell me if such transaction is lawful? What about car insurance also?

I came to know that all commercial insurance is Riba and gambling. Please Insha'Allah advise.

We may need to finalize the apartment by the end of this week, so please ya Shaikh if you may answer soon it would be greatly appreciated.

JazakAllah khayr for your valuable time,

Wa 'alaykum assalaam

**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 Sr. Amina

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Home insurance, car insurance and other forms of insurance are permissible when there is no Takaful (Islamic insurance) and they are needed for protection, renting, buying a car, driving a car, etc... There is little difference between all Shari'ah scholars. However, when it is not needed but only useful, there are differences between scholars some argue that it is Haram on the basis of ambiguity in the responsibilities of the two parties that is called Gharar. I myself belong to those who believe that it is permissible if it is not interest-based. All life insurance contracts are not interest-based except one form of life insurance that happens to be the most common.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam  
Prof. Dr. Monzer Kahf

-----

Assalam 'alaykum wraahmatullah respected Shaikh,  
Jazakallah khayr for your prompt response. Please allow me to ask one more question Insha'Allah as we liked an apartment but after reading the application we just want to be sure that what we will be doing is not unlawful. In the agreement it states:

"I/We agree to the charge of \$25.00 (plus applicable interest) for payment that cannot clear my/our account the first business day of the month"

Obviously, we will Insha'Allah pay before the first of every month and hence this clause may not be applicable to us, however, we still have to agree to it in order to rent the apartment. So will this be like signing or witnessing an interest agreement? Please do advise.

Also, elsewhere in the agreement it states that we as tenants agree to the by laws and regulations regarding condominium act. I do not know if such acts have interest clause in them or not. So again if we sign will we be sinful?

Insha'Allah Shaikh your advice would really help,

JazakAllah khayr again for your valuable time.

Wa 'alaykum assalam warahmatullah  
(We are renting in Toronto, Canada)

**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 Sr. Amina

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Best way to solve this matter is to arrange for automatic payment through your bank so that it will be on time or through the landlord company by authorizing it to collect from your bank account directly. But yes this is an interest clause that we will not sign unless under necessity and you should be very careful to avoid its ever application.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

From: Fawad

Sent: Saturday, July 10, 2010

Location: United States

**Question: Car Insurance**

Bismillah al Rahman al Rahim

Dear Dr Monzer,

Assalam o Alaykum

Jazak Allah Khair! Thank you for your answer to my previous question. I truly appreciate it. I have a couple more short questions.

1. I live in the US state of NJ. I have read few previous Q/As about auto insurance but I would like to understand the view in regards to the Islamic perspective for those of living west and have to follow local laws and other legal requirements.

I have auto insurance with FULL coverage. Do I need to convert it only minimum liability coverage to be closer to Shari'ah rulings? Can I still keep full coverage I follow certain guidelines?

2. I have Health coverage (Med+ Dental +Vision) which is paid 50% by my employer and 50% is deducted from my pay. Is it permissible to have such coverage? As you know it is very inconvenient and very difficult to survive easily without proper health insurance in the US.

What is the Scholarly consensus among Western Scholars who understand the Shari'ah and aware of living conditions in West.

JazakAllah. May Allah reward you for your efforts! Ameen!

Regards,

Fawad

**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. Fawad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You should also have house insurance and life insurance; if you don't have them you are putting yourself and your family at a great risk.

Insurance is very much needed in our modern life and in all its kind for people who live in America and also those who live in Cairo and Damascus and Jeddah, let alone Baghdad!

All these insurances are permissible, car full coverage, health and its likes, house and many kinds of life insurance. I mean those that are not based on interest such as the insurance policy that gives you the policy value if one does not die after a number of years.

The Majority of Shari'ah scholars in America are of the view that it is permissible until we have cooperative Takaful insurance. A minority is always on each side. One says it is permissible equally like cooperative Takaful and another says it is not permissible no matter where you live.

You also have similar differences in the other countries.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Syed

Sent: Wednesday, August 11, 2010

Location:

**Question: Child Insurance**

Assalamu Alaykum,

Q1. I am looking for a child insurance plan for my daughter. The plan details are I have to pay certain amount every year for couple of years then after maturity they will provide me double

or 6-10% extra than the amount which I have paid. They also provide death insurance in case if the father dies during the term.

These people invest our money in all sorts of money market like shares, bonds, etc. I want to know is these money halal or do you have any idea about any insurance plans which are halal?

Q2. My wife's have gold around 11 tolas and I have a debt of Rs. 2 lacs so I need to pay Zakah on the gold or how we can calculate Zakah?

I would be very much thankful if you can provide me the answers for these questions. May Allah bless you. Allah Hafiz.

Thanks

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

1. Insurance is controversial. I go along with the view that considers it permissible PROVIDED two conditions are fulfilled: 1) there must be no Riba in the contract; and, 2) the object of the contract must be permissible. If the object is future potential hazards such as death, this is a permissible object. All insurance contracts that pay you certain amount at a given future date (maturity) contain interest because this means that the premium you pay is divided in two parts one placed at interest to give the amount of commitment at the given date and the other part is for the risk pool that pays in case the hazard incidence (father death in this case) happens.
2. Please when you ask a question use common terms that are known to everybody. In your question I do not know the tola and the lakh. These are hindi words that are not known outside the subcontinent. I therefore assume that she owns gold in an amount that exceeds the Nisab and you owe a debt that may be in the amount equal or more of the value of gold that is owned by your wife. My answer is then: you may know that according to the Islamic Shari'ah husband and wife are financially independent from each other completely. She is not responsible of your debts and we do not recognize community property except when it is created by contracts such as creating a partnership. Even when a property is owned by two people together, we still separate their properties in regard to calculation of Zakah because Zakah is a personal worship. Consequently, under the given assumptions she is required to pay Zakah on her gold at the rate of 2.5% every lunar year, the first such year begins 354 days after the day she had Nisab (# value of US\$1500). You are required to pay Zakah on whatever you own of properties that are subject to Zakah (any savings and bank account and business properties, etc.) you can deduct the amount of debt that is on you IF IT IS GOING TO BE PAID FROM THOSE PROPERTIES. If the debt is long term and is not going to be paid from the present properties you should not deduct it.
3. Finally she may voluntarily sell her gold and pay your debt and you may voluntarily pay the Zakah due on her gold, then whatever is actually and physically paid will not be included in the calculation of Zakah.

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

---

From: Naved  
Sent: June 6, 2009  
Location: Indian

**Question: Health Insurance**

I am an Indian. I just want to know: is it permissible in Islam to have the health insurance?

**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. Naved

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Of course, insurance is what is controversial. Once we solve that it does not matter whether it is health or others.

Insurance is objected to by many Scholars on the basis of ambiguity in the responsibility of the company because of inability to determine at the time of contract what will happen in the future.

There are scholars who believe insurance is permissible because this ambiguity is contained by maximums and by probability theory and actuarial studies. I belong to this view. Therefore in my opinion health insurance is permissible.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Adil  
Sent: Thursday, August 12, 2010  
Location: Pakistan

**Question: Health insurance**

Asslamalaikum,

I live in India, can you tell me is health insurance valid.

With regards

Adil

**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. Adil

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes it is permissible, rather advisable in many cases. of course there are people who argue that all insurance is not permissible because of the amount of ambiguity in the contract. But again there are other stronger arguments for the permissibility and I go along with this view.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Umain

Sent: Monday, August 16, 2010

**Question: Is insurance Haram?**

Asslam Alaykum!

Respected Sir!

I got your e-contact from askthescholar.com I'm very thankful to them. Sir I am much confused about life insurance, is it legal in Islam or not? According to one of a lecture of Dr. Zakir Naik insurance would not be haram if insurance company does invest its money in interest free business, as its happening in Pakistani insurance companies. My mother and father both are working in State Life insurance company in Pakistan. I have make it confirmed that state life does not invest its money in interest full business. State life too never offers fixed profit. Then what do you think it would be allowed?

Sir actually my father had worked in Kuwait he is Associate Engineer but after gulf war he returned back in Pakistan he did not save any money, so that we were indulged in too much crisis he too could not get any well job in Pakistan. At last after some years my mother get job only in State Life, she has become now Area Manager she too did get my father with her who is now Sales Manager. Sir what we are earning haram or halal?

I am waiting for your kind response

Best Regards

**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. Umair

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Let us first look at insurance contract, and then we'll look at the insurance companies.

Insurance contract include certain ambiguity because by definition we don't know when an accident is going to happen or how much it is going to cost. At the same time it is a very useful contract to an extent that it is almost necessary and even sometime made obligatory by law such as car insurance and health insurance in some countries. Accordingly, some Shari'ah scholars focus on the ambiguity and consider it forbidden. Some others, -I am included- argue that the amount of ambiguity in it is tolerable because of the large number and probability theory and because of the high need for this contract. Of course when it is stated that it is permissible there are two conditions attached to this permissibility: 1) the object of the contract must be permissible (for instance it is not permissible to insure a shipment of liquor); and 2) there must be no interest in the contract. This brings us to life insurance. The contract

does not insure life but rather provide certain financial assistance when death happens. But many life insurance policies include interest clauses. I mean specifically what is called regular life insurance policy that gives the insured a given amount (the policy amount) after certain number of year if she/he survives for that number of years. This pre-determined amount comes from the interest-based placement of a part of the premium for that number of years. This kind of life insurance contracts is not permissible in Shari'ah. There are other kinds of life insurance that do not have such practice such as term life insurance and variable equity life insurance.

As for insurance companies, there are companies that abide by the Shari'ah rules in investing their reserves, escrow funds and other money available to them. But in certain countries insurance companies, either on their own or are required by law to, invest in interest-based securities especially government bonds. This kind of investment is of course not permissible in Shari'ah.

Finally, working in an insurance company is permissible and the Salary is InShaAllah Halal PROVIDED THE PERSON DOES NOT DO ANY HARAM ACTION SUCH AS SINGING AN INTEREST BASED CONTRACT OR SELLING INTEREST BASED LIFE INSURANCE CONTRACTS.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Ashfaq

Sent: Wednesday, September 15, 2010

Location: United States

**Question: Islamic ruling on insurance**

Assalamu Alaikum, Dr Monzer:

I have been working at ISNA from 1995-2009 and now looking into doing some IT consulting since my background is in IT.

I have always admired your knowledge and attended your lectures, Alhamdulillah. May Allah, Bless you for all that you do to educate the Ummah.

I am looking for some articles and Islamic perspective and rulings on Life Insurance. I need to know if it is OK in Islam to get a Life Insurance policy in US and if so under what Hadith / Ijtihad.

I will appreciate it very much if you can help in this regards. JazakAllah Khair.

**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. Ashfaq

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is nice to hear from you,

Life insurance, as well as all kinds of insurance, is controversial. You know this is a kind of new contract that was not known, as we have it now, in the long history of Muslim societies.

Some argues that it is not permissible on the ground that it has a great deal of unknowability regarding the obligations of the two parties (you don't know when an accident or death is going to happen, cost of the accident, how long the contract continue and payment of premium

continues, etc.). These scholars suggest that instead of the exchange contract we should create cooperative associations that provide the same services for membership fees paid on the basis of donation to the association. This is what is known in the world as Takaful companies. The other group sees in the contract a very useful and sometimes necessary contract in the contemporary especially metropolitan living. Beside it does not really violate any special rule or text of Shari'ah and the unknowability in it is contained and managed by the application of probability theory and the laws of statistics on large number of subscribers. According to this view, that I share, the insurance contract, life or otherwise, is permissible provided two conditions are satisfied: it must not contain interest, and its object must be permissible. In other words, term life insurance has no interest in the contract while whole life insurance (that gives you a definite lump-sum after a given number of year if you survive) has interest because this lump sum is derived from placing a part of the premium for that period on interest. Also variable equity life insurance is also permissible when you can select investment funds that are not in violation with Shari'ah.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

---

From: Wael

Sent: Thurs day, February 10, 2011

Location: United States

**Question: Property Insurance**

Dearest Dr. Monzer,

As-salamu `alaykum,

We, in the Islamic center here in America, face a problem and a debate about having insurance for the masjid. We do not have insurance for the masjid and few weeks ago someone turned the fire on the back of the masjid and burnt a big place of it. But we managed to stop the fire and put it down. So, some members of the board suggested that we have to get insurance on the masjid, because if anyone gets hurt in it and sue a case against us in the court, he would win and we have to pay him thousands of dollars as we do not have insurance. It is even obligatory according to the law of some states to have insurance, but ours does not have this law till now. Some brothers objected on having insurance for the masjid against fire or any crisis that may happen and we will not be able to afford on the claim that it is haram or that if the company paid us more than the costs of fire damage it would be haram too. Please what is the rule on this issue and can we get insurance or not and what is the Hukm if the company paid more than the costs and more than we paid for it? Is it Riba?

**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

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I cannot imagine that there are Muslims in America who still think in this way. It is in fact unbelievable. No Muslim, because of his personal view on a controversial matter, has the right

to expose the entire community and the Masjid that is a Waqf for the whole community to such high risk. This is in contradiction to the core of our religion.

Insurance is not Riba and it is not gambling on the will of Allah. Insurance is a distribution of the risk between a large numbers of people who have similar risks. The Shari'ah scholars have different opinions on it. Some believe it is not permissible because it contains Gharar (ambiguity about date and amount of obligation of the company because it depends on the insured accident). Other scholars argue that it is permissible because the amount of this Gharar is containable and within limits. The issue of Gharar in Shari'ah is much smaller than the issue of Riba. Gharar can be tolerated when there are no other contracts that replace the Gharar-touched contract. Also Gharar is tolerated when it is possible to know it with outside-the-parties sources. Don't we buy a house without looking at its foundations? This is an example of Gharar that is tolerated.

In America (likewise in India) it is a MUST (wajib) especially for public properties that belong to the whole community. And also especially that we do not have Takaful companies to offer Islamic insurance in America. It is rather necessary for our houses and our cars and other properties as every sensible Muslim knows it.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Farooq

Sent: Friday, July 29, 2011

**Question: Gharar in Insurance**

Assalamu 'alaikum Dr. Kahf,

I pray this message finds you in good health and ever-increasing Iman!

I've glanced over the various insurance-related Fatawa on your website - jazakAllah khair. Recently, I read a response to the assertion that insurance contracts are free of Gharar due to the statistical data they use to ascertain the probability of various eventualities:

"Urging the permissibility of insurance, one Muslim modernist has written that the very precise statistical data possessed by insurance companies concerning the probabilities of various eventualities makes what they are selling determinately known (ma'lum). This argument fails when one realizes that statistical data from a group of events yields figures that, properly speaking, are a description of the group as a whole, and are only analogically applied to the individual events within it. When generalized to similar groups of events in the future, such probabilities yield commercially useful knowledge about the likelihood of a particular outcome for these future groups. But they cannot and do not tell what the outcome will be for any particular member of the group, in this case the particular insurance policy. Thus, a "17 percent probability" that circumstances will enable one to collect such and such an amount on a policy is a mere description of the whole group of previous policy holders in similar circumstances, which does not tell whether one will collect the amount or not. One may collect a certain amount or may not collect it, which is precisely the Gharar that is impermissible." (Nuh Ha Mim Keller, "Reliance of the Traveler")

Would you kindly comment on the above?

JazakAllah khairan!

Wasalam,

Farooq

**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. Farooq,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You are absolutely correct, that is the Gharar in the contract. Besides it is necessary to add another dimension to this probability which is as important. It is that we don't sell probabilities. To sell you a 17% probability of a service is also Gharar because the object of exchange is not determined while any exchange contract must have definite objects.

The statistical argument was given by the late Shaikh Mustafa al Zarqa more than fifty years ago. He used it a bit more wisely to say this reduces the Gharar from the point of view of the insurer but more important it makes the Gharar calculable and predictable thus it becomes tolerated in new and useful contract which have no alternatives that serve same interests. Personally I go along with the Zarqa argument especially that the suggested forms of insurer structure (Takaful operator forms) do not remove Gharar on one hand and are more imbalanced than the conventional contract on the other hand (as they do not put charges on the inefficiency of operator and/or give it substantial authority on contributions).

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Basil

Sent: Monday, August 29, 2011

Location: United Kingdom

**Question: Car liability insurance**

Assalamu Alaikum Dr Monzer Kahf.

Your email address was passed on to me in the hope that you may be able to help me to better understand an issue, which I'm totally confused and worried about. Earlier on this year I found out that all forms of insurance are haram, as there is the element of risk and ambiguity which equates to a kind of gambling. My question is specifically about car insurance. The general scholarly opinion is that if one is in a land where they are forced by law to take out car insurance (as in the UK where I live), it is permissible to take it out provided they take out what is compulsory by law and not go for the optional ones like third party fire and theft or comprehensive cover. This is from how I understand it and from what I've read.

I realize that some time ago, third party cover in the UK was cheaper to buy than fully comprehensive, but that's all changed now! For some strange reason fully comprehensive is far cheaper to buy than third party, so if that's the case, then Islamically should I still go for the third party over the fully comp? Because third party is mandatory in the UK as a minimum and a legal requirement even though it's more expensive?

The thing is, if I did go for the fully comprehensive cover and ended up paying say 50% less than I would do with third party cover and am not involved in any accident (InShaAllah), i.e. do not end up using the fully comp features or claiming in anyway during the insurance year, then surely that would mean I would have come out better than if I were to have paid more for third party under the same situation i.e. do not claim or end up using the third party features, which in itself contains less features and benefits. Third party car insurance is becoming far more expensive although it offers less and fully comp cover provides the insured far more benefits and features although it's far cheaper! This doesn't make sense. Can you see what these insurance companies are doing? They appear to be making things more difficult for Muslims to take out the bare minimum car insurance and would rather have them buy their optional cover such as Fully Comprehensive. Surely this is a fault, surely? With this situation becoming what it is Dr Kahf, what should I do Islamically? Do I still have to go for the third party as it's the legal requirement minimum despite it being more expensive, or should I take out fully comprehensive with the reasoning that I would be paying less money to the insurer, but having the potential to claim more and receive more benefits and features?

I really am scared of committing haram and have no real knowledge of Islam as such. I've done too many haram things in my life I just want to change and for Allah to love me, so I am trying to change my ways and become a better Muslim Insha'Allah. I think a lot of people end up becoming confused when it comes to understanding the ins and outs of the realm of insurance, as it is quite a complicated business, well I think so anyway.

I'm so confused I haven't the faintest idea as to where to begin Dr. Kahf. I passed my driving test on the 4th of January this year and bought my car before then on the 4th of September 2010, and it was when I bought my car that I took out car insurance at the fully comprehensive cover. That was roughly on the 6th of Sep 2010, so it's up for renewal soon. I have received lots of car insurance quotes both for third party and for fully comprehensive and I can tell you that fully comp come up on top as being far cheaper. Should I get for third party no matter how much it comes and despite it being more expensive than fully comp?

Please advise me if you can Insha'Allah or direct me to a source that could clarify the matter. I would appreciate so much Dr Kahf and thank you kindly for your time.

May Allah The Exalted reward you with His Blessings and Peace.

Salaam.

Basil

**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. Basil

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If you believe in the prohibition of insurance except under necessity the way you detailed in the query one way of doing things is to take the comprehensive insurance but use actually only the third party out of it. So you sign up but do not activate on your part.

I like to discuss with you this matter from a different angle. You seem to have limited yourself to one sided view about Shari'ah. There is another opinion which is very strong too. It argues that insurance as a new contract is not in violation of any principle or text of Shari'ah. In fact it

has no gambling element at all, you know it is based on the probability theory. Car insurance has no interest either and the amount of ambiguity (Gharar) in it manageable by the actuarial analysis. Besides, Gharar is overlooks in necessary contract. Do you believe that it is OK for a Muslim living in the west to risk his home and car by not taking comprehensive, is this our Shari'ah work? At a time that there are great scholars who argue that insurance all insurance is permissible provided the contract has no interest clause and the subject (what is insured) is permissible. This applies to car, health, house, life, etc.

I believe that insurance, comprehensive as it is, is permissible and rather necessary because we are required, in Shari'ah, to protect our families and assets from the tremendous risks. The late Shaikh Mustafa Zarka (dies in 1999 and was recognized as the top Shari'ah scholar of the last quarter of past century) and Maududi both argued that Insurance is permissible provided it does have interest (some kinds of life insurance contracts has interest in them). I suggest that you should take comprehensive and if an accident, May Allah forbid, happens activate it in full.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Attia

Sent: Wednesday, September 21, 2011

Location: United States

**Question: Disability insurance**

Assalamu Alaykum w Rahmatu Allah

I'm a dentist in USA and I was offered a disability insurance, which means I will have a contract policy with this insurance company, and have to pay them an annual premium, to protect me in case of disability/ accident, etc., if la kaddar Allah disability , they will pay me a monthly benefit till certain age, as a compensation

knowing that my job owner doesn't offer me any other benefits, I do carry a health insurance as it's almost a must in the united states or you will never be able to afford medical bills, also I carry home insurance and car insurance

Also, I have been reading a lot regarding my issue and one of the answers was saying that Insurance is haram in Islam, and disability insurance is haram as it's insuring something that might or might not happened, also on life insurance they said it's haram as it put a price on your life. I know contradiction is "rahmah", but also it's so confusing, could you please explain to me what's your "sanad" for the insurance be Halal just for my heart to feel comfort

Thank You for your understanding and patience

Please advice

Thank you

Assalamu Alaykum

**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. Attia

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

That is fine. It is permissible in Shari'ah to take all kinds of insurance which you need, including disability insurance.

Simply because it is not a price on life and it is not speculation on the future. It is a financial remedy of the result of what may happen which we cannot control. Insurance is simply a collective group fund from which those who are injured are paid. The best way of offering it is through cooperative/mutual organizations rather than commercial companies. But when the cooperative insurance is not available and there is need for insurance (the need is in fact a lot more than the simplistic imams in mosques think) then you take it with commercial companies.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Marina

Sent: Tuesday, December 20, 2011

Location: Malaysia

**Question: Issues in conventional insurance**

Assalamualaikum

Dear Dr. Monzer,

I hope you are in a pink of health. May Allah bless you with a healthy life and continuously living in Iman. InShaAllah.

I am a Shari'ah student. Currently, I am studying Masters on Islamic Studies. I am doing a research on conventional insurance in Malaysia and I need your opinion on some of the issues pertaining to conventional insurance. If you don't mind, can you answer my questions so that I can have a clear picture on these matters. Below are my questions:

1. Is it possible for us to avoid the elements of Riba (usury), Gharar (uncertainty) and maisir (gambling) in a conventional insurance contract? If it is possible, then, how do we avoid it?
2. In Malaysia, there were clerics (fatwas) which were codified and approved by the Malaysian Government, telling that conventional insurance is haram because it contains the elements of Riba, maisir and Gharar, which then, made the insurance contract, became fasid or invalid in the eyes of Shari'ah. What is your opinion regarding this matter? Did we need to renew the clerics, as we know that, clerics can change with the change of times and places?

That's all Dr Monzer. I hope to hear from you soon.

Thank you.

Yours Sincerely,

**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 Sr. Marina

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You are asking me about a full course. I just completed a full semester teaching this matter in our Master's program.

In one word: there is no Riba in the contract and there is no maysir. There is Gharar in it obviously. But taking the Gharar as an excuse to create Takaful operator companies which exploit the concepts of cooperation and donation without shouldering the risk which is born by conventional companies is equally not permissible. By this Fatwa we created a new way to exploit the public in the name of religion this time. The problem happened when we allowed the concept of Takaful operator instead of Takaful cooperatives/mutual arrangement.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Samy, Islam on line

Sent: Tuesday, July 10, 2012

Location: Canada

**Question: Insurance on accidental death**

Dear Dr. Monzer, as-salamu alaykum wa Rahmatu Allah wabarakatu

I hope this e-mail finds you in the best of health and iman.

Below is a question from a brother who is in urgent need for an answer.

It is in regards with Insurance on Accidental death and Dismemberment.

A brother is a medical professional and was asked by the association to take this insurance, since they are giving it as a part of the package.

Jazakum Allahu khayran.

Imam Samy Metwally

**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. Samy

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You know that insurance is controversial. There are those who find it prohibited on the ground of ambiguity as an exchange contract between you and the company. There are also those that argue that its ambiguity is contained and governed by the probability theory indicators.

In controversial matters one should take the side that makes life easier especially in circumstance as the one described, being a part of a package. Besides I AM DEFINITE THE QUESTIONER has several other insurances this is just like them. Life insurance accidental death, medical and hazard are the same in the dispute among scholars. I suggest to him to take it. There are very respected scholars who accept it like the late Maududi and the late Zarqa.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Sumair

Sent: Friday, October 12, 2012

Location: United States

**Question: Is insurance Haram?**

ASAK Dr. Kahf

My name is Sumair, Forgive me, but I'm being faced with a big test right now, and would be grateful for your guidance. For most of my life I have been taught that conventional insurance (U.S.) is absolutely haram: when new premiums are required on a fixed time schedule, irrespective of how many premium payments have already been made or used, I believe the insurer is exacting Riba from the customer: Sayyidina Abd Allah Ibn Mas'ud (Allah be pleased with him) narrates that the Messenger of Allah (Allah bless him & give him peace) has cursed the one who accepted usury, the one who paid it, the witness to it, and the one who recorded it. (Sunan Abu Dawud: Book 22, Number 3327).

I've always been taught that is more just to adopt cooperative forms of group insurance (but that is beside the point). On this basis I've never before considered employment at any type of insurance company. I've never even entertained the idea. However, the fact remains that I am guilty of having paid for both automobile and health insurance in this country, without any hesitation, from my very first paycheck right down to my most recent one.

At any rate, I believe that when Obama care goes into effect in 2013, what used to be a Haram industry may in fact become permissible: Riba will become a federally mandated obligation just like auto insurance, and paying for health insurance will become obligatory for all wage earners, Muslim and non-Muslim alike.

I'm reaching out to you today because I need a second opinion: I am fearful that my new-fangled opinions are blind and are being driven by my personal circumstances (my need to find new employment) and not by objectivity alone. I realize that a single hadith cannot be the basis of a fatwa, and that under duress it may be permissible to perform Halal employment (I work in information technology) at a haram company... but my question to you is: if we must pay for car insurance, is it permissible to work for a car insurance company like AAA or Geiko or 21st Century? Likewise, if we must pay for health insurance, is it permissible to work for a health care insurance company like UnitedHealth Care or Blue Cross...etc., after Obama care goes into effect in 2013? I know it is no joke to make war with Allah. And I know that Shaitan is laughing at me, having teased me with tons of opportunities in insurance locally, while other opportunities for the work I do are 50 miles away. If you are not comfortable answering this question, do please let me know... I will certainly respect that! But I would be eternally grateful for your opinion in this matter, because you are an expert in Islamic finance, and I am ignorant comparatively. Willing to reform his thinking,

Sumair

**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. Sumair

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The insurance contract is not a Riba contract to begin with. It is a contract for covering a risk and it contains a large amount of ambiguity, as an exchange contract, to be tolerated according to majority of scholars. What does this mean? It means: exchange contract must determine the obligations of the two parties. But in insurance this is only determined with guidelines not exactly, e.g., max liability; continue paying premiums, when an accident happens.

Insurance contract itself is controversial; it is not rejected outright by everybody. A wise minority argues that: 1) its ambiguity is contained by conditions in the contract and by the probability theory; 2) it is either necessary or extremely useful in contemporary life; 3) it has precedents in Islamic Fiqh of accepting some ambiguity in contracting; and, 4) in fact it may be completely innocent of any interest. This minority argues that it is permissible if two conditions are fulfilled: 1) does not contain interest (all health, car and other hazards insurance do not, a major type of life insurance does); and 2) object should be permissible, e.g., insuring a shipment of liquor is not permissible because transporting it is not permissible.

Those who argue that it is not permissible accept the cooperative because it is no more based as exchange contract, it becomes like membership in an association. Being not exchange ambiguity (which is not eliminated) become tolerable because who you pay fees to a club you may visit it once in the whole year or go every day, ambiguity is tolerated, according to all; when it becomes necessary, it is ok to take it.

I argue that all kinds of insurance are necessary in America including life insurance and a Muslim must take car, house, liability, health and life insurance. All mosques and Islamic center must take all these insurances too.

Working in conventional insurance companies is a different matter:

Let us take the view of being Haram: working in a Haram company in areas that do not involve you in making Haram is permissible. The example is working in a bank as IT or teller. Similarly working in an insurance company whereby you do not sell insurance contract is not Haram. Of course you are under the 'dust' of Haram. So this is not the best job in the world to do.

In other words, it is permissible, though not encouraged or desired, to work in a conventional insurance company provided you do not sell Haram contracts.

Of course if we take the other view, it is permissible provided you are not indulged in interest. We must notice that conventional insurance companies, anywhere in the world, are heavily involved with interest, almost all their investment must be by law based on interest in bonds and the like because bonds are more secured than other investments. Involvement in investment departments of insurance companies is not permissible according to all.

Personally, I wouldn't recommend working in insurance companies or in banks but I cannot claim it is not permissible as long as what is mentioned above is avoided

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Salahadin

Sent: Tuesday, January 08, 2013

**Question: Employer's offered health insurance**

Assalamu Alaykum,

I have a job with a well-paying salary. I need medical treatment on a condition I have but it will be costly, enough to dent my salary or leave nothing left from each month. I am insured with my father's insurance plan for one more year.

I have read that conventional health insurance is forbidden when one can opt out of it--my father cannot opt out of his insurance plan.

I have also read that many scholars have stated that conventional health insurance is not haram if treatment is very costly and public healthcare is not available. I am not eligible for the state's healthcare, and the treatment that I need will probably not be covered if I was. Do I pay out of my own pocket even though it will be extremely costly or can I use my health insurance coverage up until I do not need any more treatment?

Also, why would conventional health insurance be haram due to the companies gaining interest on the money that we give them? If I buy something from someone and he puts the money I give him in an account that bears interest why is it my problem?

Jazak Allahu 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. Salahadin

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Your questions and judgment are correct. You have nothing to do with what other people do with their money.

Insurance is not Haram but rather controversial. Some say haram on the basis that it has a great deal of an-know-ability. And some other scholars argue that it is OK because the amount of un-know-ability is contained by application of the probability theory. I belong to the second group. There is a condition that the contract itself (that is between you and the insurance company, not what the company does with other people) must not contain interest.

Health insurance contract of your father or if you take one on your own, does not contain any insurance. Please go ahead and take the treatment under the insurance of your father.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Sheeraz

Sent: Monday, January 14, 2013

Location: Canada

**Question: Different kinds of life insurance**

As-salaam Alaikum Dear respected brother;

My name is Sheeraz and I am a representative of Primerica Life Insurance. I have read some of your articles on "term-life Insurance." When it comes to life insurance our company "only" offers one kind of insurance which is term life insurance. I have been running into challenges trying to sell our insurance to our Muslim families because of the question relating to whether

it is "Halal or Haram?" Insurance should not be meant as a permanent need and described as "income replacement," in the event something happens to either spouse or both.

The unfortunate thing is that there are many Muslims whom I know of and don't know that have life insurance but it's usually a "whole-life," Universal Life," or "some kind of "whole-life variable," kind of insurance. These types as you know has a "cash-value" savings component built in which I don't agree with.

I just want to thank you again for your time and I wish you and your family a very prosperous 2013 InShaAllah. May Allah continue to bless you and your business InShaAllah.

Best regards

**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. Sheeraz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Thank you for your kind email and I wish you success and prosperity. I personally believe that taking a permissible insurance is a kind of almost necessity for Muslims who live in the Western countries.

I am sorry that I cannot help you in promoting your business.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

-----

From: Sheeraz

Sent: Monday, January 14, 2013

Location: Canada

As-salaam Alaikum Dear respected brother;

My name is Sheeraz and I am a representative of Primerica Life Insurance. I have read some of your articles on "term-life Insurance." When it comes to life insurance our company "only" offers one kind of insurance which is term life insurance. I have been running into challenges trying to sell our insurance to our Muslim families because of the question relating to whether it is "Halal or Haram?" Insurance should not be meant as a permanent need and described as "income replacement," in the event something happens to either spouse or both.

The unfortunate thing is that there are many Muslims whom I know of and don't know that have life insurance but it's usually a "whole-life," Universal Life," or "some kind of "whole-life variable," kind of insurance. These types as you know has a "cash-value" savings component built in which I don't agree with.

I just want to thank you again for your time and I wish you and your family a very prosperous 2013 InShaAllah. May Allah continue to bless you and your business InShaAllah.

Best regards

**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. Sheeraz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Thank you for your kind email and I wish you success and prosperity. I personally believe that taking a permissible insurance is a kind of almost necessity for Muslims who live in the Western countries.

I am sorry that I cannot help you in promoting your business.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

---

From: Samy

Sent: Wednesday, February 27, 2013

Location: Canada

**Question: Life insurance**

Dear Dr. Monzer, as-salamu alaykum wa Rahmatu Allah wabarakatu.

I hope this e-mail finds you in the best of health and iman.

Is it Halal or Haram to do ANY of the following 4 questions?

- 1- Buy (Term Life insurance) for a period of time. As an example to buy a life insurance for 20 years and pay during these 20 years a yearly SMALL amount of money. If I die during these 20 years, they give beneficiaries a bigger amount of money (way more than what I paid). This amount can be used to create an estate for my heirs, Pay off personal loans....etc.

This all explained in this link

<http://www.canadalife.com/003/Home/Products/LifeInsurance/TermInsurance/index.htm>

If you find it Haram, please explain why to help me understand. The target from this policy is to help my family in case of my death to be able to have minimal impact especially after the cut of my salary and to live in the same house, finish their education and so on.

Do I have to pay Zakah for the YEARLY Contribution? Note that, it is voluntarily to buy this insurance policy.

- 2- Buy (Permanent life Insurance) there are 2 kinds in the following link <http://www.canadalife.com/003/Home/Products/LifeInsurance/PermanentInsurance/index.htm>

Are they both Halal or Haram? Note that it is voluntarily to buy this insurance policy.

- 3- In Cairo-Egypt we have a program in the engineers syndicate that you pay yearly amount of around 100 Egyptian Pounds and If you die, your family gets thousands of pounds or if you retire as well. The amount the family gets depends on what age you die, it has a table. They call it 'Takaful' program in this link <http://www.eea.org.eg/>

I find this similar to the Term life insurance in a way. Please tell me if this haram or halal? Note that, it is voluntarily to buy this insurance policy or not.

- 4- Do I pay Zakah on my Pension? Payments are deducted from salary before it comes into the possession of the contributor in each pay stub. From the gross, the following is deducted: 'Canada pension plan' and 'Employee pension'.

Both of these pensions are explained in the following links and they are NOT voluntarily.  
<http://www.servicecanada.gc.ca/eng/isp/cpp/cpptoc.shtml> <http://pensionetavantages-pensionandbenefits.gc.ca/accueil-home-eng.html>

The following links are saying to pay the Zakah for Pension.

<http://www.islamic-relief.com/Zakah/zakdebt4.htm>

[http://spa.qibla.com/issue\\_view.asp?HD=1&ID=2832&CATE=5](http://spa.qibla.com/issue_view.asp?HD=1&ID=2832&CATE=5)

<http://www.albalagh.net/qa/0049.shtml>

<http://welcomeback.org/Zakah/instructions.shtml>

First I don't know, if this is right in the Canadian pension or not? How to calculate it?

I am not expert to explain the pension plan that is why I sent you the link explaining it but that is what I understand. Assume as example I pay \$10,000 yearly in pensions, so second year it is 20K and third year it is 30K for 20 years and after retirement, I live 3 years, the government gave me monthly some money to be able to live assume they are 1k or 1.5K which is around 36K or 50K till I die. If I die after that, Government pays for my family small amount of money and will not continue to pay for them as other countries doing. If I die before retirement, my family will get a little bit of all my contribution and that is all. It is also depends on my kid's ages...etc.

Should I pay Zakah for each year while I am contributing or wait till my retirement?

If I pay during the yearly contribution, who said that this amount will return back to me? After retirement, assume my whole contribution are 20years multiplied by \$10,000= \$200,000. Do I pay Zakah for all that amount, while the government is giving me \$1500 monthly after retirement? How can I do that while the monthly amount is so little? Although I gave the example of living only 3 years after retirement but I may live 20 years and get all my contributions back, if this happened, do I have to pay Zakah for the \$200K. I know that if I am saving money and I have the ability to use it in the future, I have to pay its Zakah because even if I die, my family will have it all and if I live, I have full control of it but Pension is not.

Please advise to all.

Jazak Allah Khair

**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. Samy

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Term life insurance is permissible. It does not contain any Riba and has no other Haram elements. This is my opinion and the view of the late shaikhs Zarqa and Maududi.

There is another opinion that sees in it imbalance of contract; a feature of gross Gharar and considers all kinds of insurances, not only term life insurance, not permissible. The point raised of big difference between what you pay and what you get is caused by pooling the risks together. Many people do not die within these 20 years. Rest assured that the company makes profit, it takes small amounts from all and only pays a few large sums to some only, yet there is a surplus left for the company. This is the meaning of pooling risks together. There is no Zakah on what you pay because it is not yours. Once you pay it, it belongs to the company; it is just like your car insurance. This is not savings to you. (There are other kinds of insurance policies

which have saving features which are subject to Zakah). It does not matter that it is voluntary. Of course for those who believe insurance is not permissible (not me) they say you can take it when it is obligatory by the law such as car insurance in most countries. I don't give Fatwa on what is written in a website, this is changeable. If you have questions, ask it.

There is another kind of insurance which pays you the face value of the policy after 20 years or pays the beneficiaries if you die within 20 year. In this kind the part of paying you is based purely on interest, it is Haram. The engineering society program is most likely permissible especially with the name Takaful which is usually used for Shari'ah compliant insurance. But still I can only give a definite opinion if you describe it to me in full. For Canadian pension I can give an opinion only if you describe it in full. I know some pension plans in some countries should be subject to Zakah but these plans vary from one country to another. In the USA for instance, social security is based on the concept of tax, you pay a social security tax and after contributing for a number of years you are entitled to retirement pension and so is the family if the person dies. I am now on US pension so is my wife. Contributions I paid to this plan are not mine at all and they are therefore not subject to Zakah.

I know another country in which what you pay is exactly yours and you can even borrow from it, that is subject to Zakah, I need full exact description of the Canadian system to determine whether your contributions are subject to Zakah or not. The basic element is to find out whether you really own this money (as in the IRA, individual Retirement Account in the US) or it is owned by the government and your pension is calculated on its basis (as in the US Social Security system) (most likely the Canadian system is similar to the US system, but I cannot be sure without full info).

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

\*\*\*\*\*

### **Subject: working in insurance companies**

From: Misbah

Sent: Sunday, September 06, 2009

**Question: Providing service to an insurance company**

Salams

Dr. Monzer

Assalam-o-Alaikum,

We are an offshore software development company and have been working with foreign clients who develop and host software applications for insurance companies. The software we develop covers all aspects of insurance business (personal and commercial lines) and generates insurance agreements (proposals, policies etc.) In some cases, we also develop code that generates premium financing (interest calculation) documents. Knowing that both interest-based transaction and insurance agreements are not in accordance with Shari'ah practices, is it permissible for us to write such software? Although we are not involved in any forbidden transactions ourselves, are we involved in a sinful act based on this Ayah: "Help one another in

righteousness and piety? and do not help one another in sin and transgression" (al-Maaidah 2).  
Jazak Allahu Khairan for your consideration, Barak Allahu Feek Misbah

Misbah

**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. Misbah

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

We should make a distinction between software that is specific for a Haram contract and one that is generic is a way that it can be used for Haram transaction of others. Developing software that is specific for writing interest-based contract and cannot be used for other permissible contracts is not permissible. For insurance, the ruling is a little different because Insurance is not unanimously taken as Haram, there are very respected scholars who argue that insurance is permissible if it is clean of interest. Actually all general insurance are not interest based and only one kind (unfortunately the most common) of life insurance is interest-based. Therefore writing software for insurance companies is not Haram based on the contract itself being controversial.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Adham

Sent: Tuesday, November 30, 2010

**Question: Working in Insurance Companies**

Salam,

This is Adham, I read about your background and couple people recommended you to me. I have question regarding my new job I just want to know if what I am doing is haram or not? I just started a new career with company called New York Life Insurance in Chicago. I sell Life Insurance, Annuity, Disability, and all the other types of insurances. My main concern is to know if Annuity and Life Insurance is "Haram" or against our religion.

Your advice would be highly appreciated.

Thank you for all your time.

Adham

**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. Adham

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Selling interest-based insurance policies is not permissible in our Shari'ah. There are controversial insurance contracts, these one can take the view that permits them but it is unanimously agreed on that interest-based insurance contracts are absolutely prohibited no

matter what view one may adopt. (The two views are: ONE prohibits all insurance contracts and replace them with Takaful, and the OTHER permits them provided no interest is involved). Annuities and the kind of life insurance that gives you a lump sum after a number of years which is usually called just life insurance policy (I mean to exclude variable equity and term life insurances) are both interest based and should not be sold/purchased by Muslims.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Asif

Sent: Friday, January 21, 2011

Location: United Kingdom

**Question: Working in Insurance Companies**

Dear Sir,

I am currently working as Branch Head (manager) of one of Pakistan's conventional general Insurance Company. Whenever a cover note (a document before policy) is issued I sign on behalf of the company. Moreover I have started getting Insurance qualification from Chartered Insurance Institute (UK) and have passed first regulatory paper.

I am confused whether my income is Halal? Should I qualify as chartered insurer when it comes in grey area in Islam?

Kindly enlighten me in this regard.

Best Regards

**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. Asif

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Insurance itself is not Haram. The way it is offered by conventional companies, on the basis of exchange contracts and with many interest based, explicit and implicit, clauses, this way is what makes it Haram. Of course, when it comes to interest clauses they are Haram unanimously while insurance in exchange contract is controversial and there are many people who believe it is not Haram. Further, conventional insurance companies do not bother to avoid interest in their investment, they mostly invest in Riba based securities.

My suggestion, not Fatwa, is to continue your certificate and move to a Takaful company as soon as you can

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

\*\*\*\*\*

**Subject: deposit insurance** ضمان الودائع

From: Isa

Sent: Friday, December 25, 2009

Location: Nigeria

**Question: Deposit Insurance**

Assalamu alaikum wa RahmaTULLAH,

Sir, what is the Shari'ah stands regarding deposit insurance in Islamic banks?

And for a bank that is operating in country where the Central Bank is not Shari'ah based, how does it insure its deposits.

JazakAllah. Looking forward to hearing from you.

Isa

**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. Isa

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Insuring demand deposits in Islamic banks is permissible because the bank guarantees these deposits; insuring them means getting this guarantee transferred to another party and paying the premium. We need to emphasize that if Islamic insurance is available it should be used but if it is not available it can be done through regular insurance and if the government creates a deposit insurance corporation, it is OK because it is a government law and body.

Investment deposits are in fact based on Mudarabah and may bear losses. Some Islamic banks create internal insurance for them under the name of investment risk provision. This is created by assigning a small percentage of the profit of depositors to this provision, it is declared to them in the contract. This is also permissible. Another way of doing it is like what Sudan did: create a government body for insuring all deposits, charge the bank the full premium of demand deposits to the IBs and only a small part of premium of investment deposits to the IB, and another small part to central bank and most of the premium to depositors taken out of profits.

When a central bank that does not provided equal treatment to Islamic banks impose on them deposit insurance they should obey and negotiate changes to make it Shari'ah compliant.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Abdulbari

Sent: Saturday, September 04, 2010

Location: LEEDS, BRITIAN

**Question: Deposit insurance**

الأستاذ الدكتور منذر قحف حفظه الله  
السلام عليكم ورحمة الله وبركاته  
تقبل الله طاعتكم وأسعد أوقاتكم .

سعدت بقراءة بشأن مؤسسة ضمان الودائع الأردنية. ولدي سؤال على النحو الآتي :  
إذا كانت مؤسسة الضمان لا تلتزم في استثماراتها بالشريعة ويمتد ضمانها ليشمل أيضاً الودائع الربوية ولا يقتصر على الودائع تحت الطلب في البنوك الربوية فهنا يجب الفصل بين المحفظة الإسلامية والمحفظة التقليدية في المساهمات الدورية. هذا واضح لكن السؤال ماذا عن رأس مال المؤسسة نفسها فهل يجب الفصل بين المدفوع من البنوك الإسلامية والبنوك الربوية على مستوى الإدارة والموظفين والموجودات الثابتة؟  
متى يكون التأمين على الودائع المطبق في هذه المؤسسة تجارياً ومتى يكون تعاونياً؟ بعبارة أخرى هل يؤثر مآل الموجودات في المؤسسة وفي الصناديق على التكيف فإذا كان لجهة خيرية فهو تعاوني وإذا كان أعيد للمشاركين ما هو التكيف؟ وإذا كان عاد للبنك المركزي فما هو التكيف؟  
أرجو التفضل بإتحافي برأيكم مع الشكر  
عبدالباري

Dear Br. Prof. Dr. Monzer,

Thank you for your valuable answers. As I understand from point 3. DI company investment on interest basis does not mean the prohibition of its revenues, may I ask for more clarification?

Thank you for your time and consideration.

Regards,

Dr. Abdulbari

**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. Dr. Abdubari

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is nice to hear from you and Kull 'Am wa'antum bi Khayr

Please note the following:

1. Under existing situation of Islamic banks, any scheme of deposit insurance cannot make funds for Islamic banks alone because there number is very limited in each country which makes the risk very high, you know a car insurance company cannot live on insuring one car! This means that except when the whole banking system is Islamic the deposit insurance scheme must combine Islamic and conventional in the country together.
2. Deposit insurance in all countries is administered by either by a government organization, as in Jordan and Malaysia, or a public company that is backed by the government, as in the USA. This means that it is neither commercial nor cooperative. It is rather government imposed like social security for workers. Therefore the Shari'ah ruling should be founded on the concept that it is legally required and it is based on the public interest (Maslahah)
3. The issue of return on investment made by the deposit insurance company is a serious one and thanks for raising it. Of course with the majority of banks being conventional in every Muslim country, except Sudan and Iran, the DI Company is going to invest on interest basis. But since the scheme is based on the legal obligation, this does not affect the beneficiary (on the basis that benefits are not the accumulated contributions plus their combined interest but rather what the law decrees. Would ask a worker who benefit from a pension or his widow that benefit from death benefit or a beneficiary from a payment on a car accident caused by a driver who is insured with a conventional insurance to isolate the interest element in the investment of Social Security or the other insurance company out of the pension or benefit sum and give it to charity, my answer is no)

4. There cannot be isolation in capital, management, offices or employees between contributions from Islamic banks and contributions from conventional banks because of the authoritative nature of the company being governmental and of course it is not owned by contribution payers

5. When all the banking system is Islamic of course the issue on interest-based investment does not come out because it will not be available anyway and then the law must determine the venues of investment of the DI Company.

6. Sorry for writing in English, it is easier for me to type.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

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. Dr. Abdulbari

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It does mean the prohibition of its revenue for it and the prohibition of the act of investing on interest. But as an insurance contract between the government entity (DIC) and the insured , whatever benefits given to the insured are Halal for it regardless of what the DIC does, sinful or not, exactly as the pension from social security is Halal regardless of what the social security department does.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

\*\*\*\*\*

## **Subject: Using insurance in estate and financial planning**

From: Tariq

Sent: Sunday, December 12, 2010

### **Question: Insurance in Financial Planning**

As-Salamu 'Alaikum, Dear Scholar, Often times, our dependents face financial crisis when the bread earner got seriously sick, dies, or bankrupts. Being a responsible husband/father, we take out one or more insurance/investment polices to secure the financial future of our dependents. Takaful & Sukuk are available in Muslim countries, what about us who live in non-Muslim countries where these products are not available? Shall we leave our children/wives unsecured?

Jazak Allahu 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. Tariq,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Sukuk have nothing to do with the question. The issue of insurance is a serious matter. It is necessary to notice that all over the world and in many Muslim minority countries insurance of businesses, homes, jobs, cars, health may be either a factual necessity or very close to it.

We have two views on insurance one is completely negative to it but the other argues that it is permissible provided we avoid interest and the thing we insure is permissible. We of course can take this view whenever Takaful is not available and we feel that we need insurance.

There are in the market several insurance contracts that are not based on interest. This is apparent in home, job, health and other object insurances. But also in life insurance (the word life is a misnomer as it gives the impression of guaranteeing life, it can't. all it does is giving certain amount of money upon the death of the insured), there are contracts that are not based on interest such as term life insurance and variable equity insurance, both may be taken according to this second view of very respected scholars.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Essam

Sent: Monday, February 14, 2011

**Question: Life insurance to save taxes**

Dearest Dr. Monzer,

As-salamu `alaykum,

Could you kindly reply to the following question?

As-salamu `alaykum, I take life insurance solely to save income tax levied otherwise on my salary at maturity they give back the money invested plus the vested bonus. I want to know whether the bonus given is halal or not.

**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. Essam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In life insurance, the amount given at the time of death (face policy amount) is Halal according to the view of those who argue that insurance is permissible if it does not include interest (I am in this category). But the amount given after a number of years to the insured himself contains two parts: parts of the original installments paid during the contract and compound interest of these parts. This interest component is Haram and should be given to charity. It is in fact more than what is called bonus in the question because a part of each installment (premium) paid goes to the risk account to pay for beneficiaries (families) of those who die every year. This part

which is called the risk premium is the essence of the insurance business. By the way Islamic Takaful has this risk component too.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Jamal

Sent: Tuesday, March 29, 2011

**Question: Using life insurance in estate planning**

Dear Dr. Kahf:

ASAK, I hope this email finds you well. You were kind enough to answer some questions for me regarding Islamic will provisions last year (I am a financial planner with a number of clients with these concerns). I have other few questions that I'd very much appreciate your opinion on if you have a moment.

1. First, do you have an opinion on life insurance? Clearly, there are elements of Riba in that one cannot control what the company is holding. But it is second or third degree Riba at most (you are not directly receiving interest). And naturally, it is somewhat of a necessity (or at least, a perceived necessity) for most families. Are there some types of life insurance you consider to be more acceptable than others?
2. Second, IF you are okay with life insurance, how would you feel about this: Consider the scenario where a couple have an Islamic will, and their only asset (for simplicity) is a house worth \$2M, jointly owned. The husband dies. Half the house already belongs to the wife. But the other half must be passed down according to the will. How would you feel if, in anticipation of this scenario, the husband gifts money to the wife during his life so that she may buy a life insurance policy for \$500,000 on his life? This way, when the husband dies, the wife has money to buy out the relatives and retain the entire house.

Do you feel this is intelligent planning, or abuse of the rules?

I have always believed that a participating whole life policy from a mutual life insurer is a practical acceptable format as well. The reasons include:

- The mutuality of the contract means that there are no outside parties benefiting- the company works as a cooperative. This is similar to the concept of Takaful. Cooperation alone is not sufficient there is also the condition that the premium is given as donation. Besides even in mutual the contract is between two parties. In Takaful it is not.
- Moreover, there is no "interest" earning in the policy, as the buildup is based on the profitability of the enterprise itself. There is no guarantee. The whole life as I know it has interest earned as explained above.
- Yes, the underlying investments are largely in bonds, but based on your point that the internals do not matter, this is okay.

If you can find time to comment on this, it would be of help. If this concept of whole life insurance is not familiar to you, please ask me to explain more, which I will gladly do. The variable life insurance option you propose makes sense, but is impractical since veritabily no insurer offers investments that are halal.

In short, by the logic you mention, whole life works. But if you disagree with this, I need to understand your reasoning. Thank you.

Your thoughts would be appreciated.

Jamal

Wasalaam,

**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. Jamal

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. Term life insurance and variable equity life insurance (if funds are invested in tolerated stocks) are permissible, the latter with applying the purification principle. What the Insurance Company does with its funds is none of your concern.

2.  $\frac{1}{8}$  of the husband's share of the house goes to the wife. Another  $\frac{3}{8}$  goes to the kids. The remaining  $\frac{4}{8}$  is due to extended family members. In this scenario, they all live abroad, so they can get no benefit from the house. They rightfully demand their  $\frac{1}{4}$  of the house, or \$500,000.

If there are kids, the minimum they get is  $\frac{3.5}{8}$  of the one half owned by the deceased spouse (in case there is only one daughter and parents overseas). If there is a son and parents overseas the parents' shares will be  $\frac{1}{6}$  of the one half each. If there is a son no other relatives inherit. In other words your exaggerated example applies only when there are no kids. There is no problem with such scenario; it is ok because one can do whatever one likes during lifetime.

It is not abuse, but I like to add that whenever you take insurance you may need to assign some part to charity for purification, 10-20% should be OK.

I know two types of life insurance besides term: whole life which gives a fixed amount at the end of the policy term and variable equity which gives the amount of policy at death plus any investment and accumulated income.

In whole life the premium is divided in two parts: a risk part that goes to a risk pool similar to term life and an investment part that makes with its compound interest the face amount of the policy that is paid at its maturity. This part is purely interest based and therefore Haram.

In variable equity, you are offered several funds to invest in most of them are within the tolerance level of investment in shares meaning that you can apply the purification principle to the amount of insurance you take at the end of the policy. In this regard using it for estate planning requires that one must make a condition of purification especially with a buffer such as 20% of the amount collected from the insurance company goes to charity.

If you are talking about a third type (participating whole life) please explain in full details.

Finally there seems to be some misunderstanding of my previous wording please see below for clarification:

- It is either cooperative, then you are a part of it or a company then you have nothing with what it does. You can't mix them together to say you have nothing with its earning and you are also a part of it. My point only applies to an exchange insurance contract (say term life) then you have nothing to do with the internal affairs of the other party. But it does not apply when you are a part of it.

- In my opinion whole does not work and in my logic if whole is as described above it does not fulfill the Shari'ah requirement.
- It is true there is a Fatwa that when Takaful does not exist the Mutual is a lesser of an evil compared with commercial insurance companies. But again not to take whole life with them this tolerance fatwa applies to taking term only because the same Fatwa (which came from the European council of Fatwa) does not approve of term with commercial companies (while I accept it).

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

\*\*\*\*\*