

FATAWA INSURANCE AND TAKAFUL 2013-2015

From: herdian

Sent: Sunday, March 31, 2013

Question: Credit Insurance

assalamualaikum warahmatullahi wa Barakatuh.,

Hi Mr. Monzer Kahf. I'm herdian, student of Islamic university of state syarif hidayatullah Jakarta. I want to ask you about credit insurance., did the Islamic law allow to insure credit in Islamic insurance?

thanks, Allah will bless you

My Answer:

Bismillah al Rahman al Rahim

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

Dear Herdian

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Yes it is permissible. In Islamic insurance (Takaful) debts on others are asset on the corporation or Islamic bank similar to other assets, they can be insured with Islamic insurance like any other asset. their insurance means ability to pay on the part of debtors. This ability is insurable.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Asher

Sent: Tuesday, July 23, 2013

Question: Working in Reinsurance Companies

Salam!

Is working in reinsurance companies which insure companies instead of an individual person halal or haram..???

Please note reinsurance not insurance. Thanks.

Usher

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Asher

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Reinsurance is just insurance is it not? There is no difference from the point of view of Shari'ah ruling. If you are not involved in any Riba transaction on in directly soliciting and contracting re-insurance contracts your work is not prohibited so is your income from it.

This is of course according to majority view which believes that Insurance is not an acceptable contract because of the great deal of ambiguity (regarding insured peril) involved. a minority believes that it is permissible, so is re-insurance provided it does not involve any interest in the contract and in the investment side. For those soliciting insurance and reinsurance contracts is

not within the area of Hara,
Wa Allah A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Wailumusalam wa Rahmatu Allah wa Barakatuh!

Dear Br. Monzer,

I actually read that re-insurance works like Takafulthe risk is distributed so it becomes somewhat halal.

I actually live in Canada and I will be doing a business with their Information Tech department. That department I am sure some of its software are helping insurance personnel to do their calculations but not all.

So I am really not sure where insurance can be involved in Riba based transaction ... is know their investment could be haram if they invest in haram activities.

Please clarify and thanks a lot for your help. Jazakum Allah Khairan

Asher

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Asher

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

All insurance is similar to Takaful. The difference is basic though. In insurance risk is sold to the company and the premium is paid for this. In Takaful it is pure pooling together on cooperative basis of helping whoever is hurt.

Your wok in IT seems not related to Haram areas.

Riba in insurance exist in life insurance which pays the insured the face value of the policy if death does not occur during the period of the policy. Also almost all investments of insurance companies are interest-based.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Housam

Sent: Friday, August 30, 2013

Question: Pension Agreement with insurance companies

Assalam Alaykum Dr. Kahf:

I have the following question and I appreciate your input

Is it lawful from Islam stand point to enter in the following contract

The contract is with an insurance company that you give them a single premium payment in exchange for a lifelong payment for me and my wife as long as we live

They base that on analysis from their actuarial using age and risk table and disseminating the risk among a large group of people there is no talk about an interest rates and it is not written any were in the contract that they will guarantee any type of rate and basically if I die early they

win and if I die late I win and they lose .It is like buying a pension plan and any other type of insurance

I see it like buying life insurance as it is based on the same analysis from the insurance company and I am not investing with them to worry about how they are investing the money , I am just buying a pension plan as insurance for income

Thank you very much and please let me know if you need additional information

HOUSAM

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Housam

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I don't see it any different from any other permissible pension provided starting annuities is based on an incidence outside the contract such as reaching age of 65, death and pension is to life of survivors and the like. otherwise if the cash payment is against a given number (or even for life) of annuities it become simply interest.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Amr

Sent: Tuesday, September 03, 2013

Question: Accident insurance

Assalam Alaykum dear brother Monzer,

Can you please tell me what information you require to tell me if the accident/hazard insurance I have is acceptable according to Shari'ah?

Or, what criteria would make such an insurance permissible?

I read some of your previous Fatawa, but I did not quite understand them unfortunately due to my limited understanding of the matter. Jazaka Allah Khairan

Amr

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Amr

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

If you live in the Western countries where Islamic Takaful is not available, accident and hazard insurance with conventional company is permissible on the basis of needs. I have such insurance on my own house in California. If there is a Takaful company which has competitive rates to others, it is definitely better to take this insurance with a Takaful company.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Naureen

Sent: Monday, September 30, 2013

Question: Beneficiary in a Life Insurance and Inheritance

Salaam Following up on this question please. Jazakallah Khair.

Assalam 'Alaykum,

I just wanted to follow up on this question.

Jazakallah Khair for your time.

Naureen

Assalam 'Alaykum,

I am writing you on behalf of myself and my two sisters, who are copied on this email. Our parents divorced in 1986, at which time our maternal grandparents and maternal uncle came to help my mother raise us, since she was granted primary custody of the 3 of us daughters. Our ages were 4, 7 and 8 years. Our father was paying alimony and child support to our mother.

In 1987, our mother took out a whole term life insurance policy, naming both of her parents as beneficiaries. In late 1989 or early 1990, our mother had a serious nervous breakdown, was hospitalized for several months, and was diagnosed with schizophrenia at the age of 33. Apparently, she had been misdiagnosed as having acute bipolar depression when she was previously hospitalized in 1982; however, by 1990, she was correctly diagnosed.

Throughout our childhood, we witnessed our mother displaying significant signs of schizophrenia. She experienced hallucinations, paranoia, disorganized thinking, depression, and lack of emotion or pleasure in life. She stopped cooking and cleaning, would forget to bathe, over-eat or forget to eat altogether, would pace back and forth in the house from morning to night, could not focus if someone was talking to her. Her motor functions, abilities to socially interact, and day-to-day responsibilities disintegrated and were neglected due to her illness. With time all these symptoms became worse and worse until it closely resembled that of dementia up until her untimely death at the age of 55, July of 2012.

When our mother passed, we were not aware of her whole term life insurance policy. She left her 3 daughters and her father as heirs under Islamic law (her mother passed away 11 years prior). Immediately upon her death, her father and brother insisted on keeping all of her jewelry as repayment for all they had done to help her over the years. We went to the local imam, and he explained that her father would receive 1/3, and we would receive 2/3 split between the 3 of us, and that anything that her father and brother did to help her, was a Fard on them. They had no document showing that she promised to repay for their financial help in the 1990s time frame. Yet, they refused to distribute our mother's jewelry upon her death. At the time of her death, we asked our uncle, her brother, if she had any life insurance policy, and he said there was not.

Our uncle began sending us correspondence, explaining that he paid off her house and that we must pay him that balance before he will allow us to have her jewelry. He agreed to allow us to see the jewelry, organize, catalog, photograph the pieces, and that he would get it appraised, but that our grandfather would still continue to hold the jewelry until all of our mother's estate matters were finalized with her house and they were paid the debt owed to them.

Things began to look very suspicious because our uncle would contradict himself in his emails, and it didn't make sense why they wouldn't allow the jewelry to be handled with the estate matters. So we decided to ask again, about the life insurance policy. He finally told us the truth, that there was indeed a policy, and that it was of no value to the family because our

grandfather was on Medicaid, and he had hence lost his government aid and therefore the money received was just a wash. He also claimed that our grandfather cashed the check without his knowledge.

Soon after, we learned that the life insurance policy payout was \$200,000, and that our mother could have withdrawn the cash value of this policy prior to her death in the amount of \$30,000. This amount was considered her asset. We also came to learn that our uncle had misrepresented her assets on government documents when applying for her social security disability. He did not report the \$30,000 life insurance policy cash withdrawal value, nor her jewelry as assets. The life insurance company informed us that our uncle was the authorized person to talk to them in regards to our mother's policy, and in fact, had made several changes to the methods of payments on the policy, and had even called them several times after she had passed. We also found out that our grandfather had not lost his Medicaid benefits. In fact, he had re-certified for continued government benefits after having received the life insurance check, and he did not report any change to financial resources.

We proceeded to email our uncle and grandfather, and advised that we would like to include the jewelry in the estate, so that there would be transparency and no DOUBT in anyone's mind, that we would make sure everyone would get their rightful inheritance. They made numerous excuses to avoid giving the jewelry upon each of 2-3 attempts to transfer possession to our mother's estate. We even visited them when our grandfather fell ill, and we again promised that Allah is our witness, and we will ensure he will get his rightful share, but they refused to discuss the matter with us, and asked us to leave. We were eventually forced to serve them court papers to appear before a judge, who would decide who should have possession of the jewelry. Alhamdulillah, the judge ruled in our favor.

So the question is, is the life insurance policy considered to be her property to be divided equally amongst all heirs?

Jazakallah Khair for reading and responding to this complicated matter.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Sr. Naureen

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Actually, in a life insurance, the owner of the policy (who is very often the insured) may specify a beneficiary other than heirs for the amount when paid after death. The rationale is that the amount of the policy is never owned by the person during her lifetime. It becomes due only after death and due to the beneficiary. Besides the cash value of the policy is an assessment not an owned property that is if you cancel the policy you are paid this amount. But if the policy is not cancelled then the cash amount cannot be considered a property. Accordingly nothing in the insurance policy makes the heirs eligible to any payment as per your explanation that grandfather was named a beneficiary.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hossam

Sent: Monday, October 21, 2013

Question: Legal insurance and disability insurance

Salamu Alaykum Dr Kahf

Hope you are well InShaAllah

I have a couple of questions

- my company offers a "group legal plan" insurance. Basically, I pay \$8 and then certain legal fees are covered in case I need a lawyer (for instance traffic ticket and other legal needs)
- Also, is short term and/or long term disability insurance allowed? You may a certain amount per month, and then if you are injured for any reason during work, then they pay part of your salary for the duration that you are out of work.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Hossam

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Of course insurance is controversial because of the un-knowability of when and how much the insurance company will fulfill. For persons who live in countries which have no Takaful, it is permissible under pressure of need. This applies to car insurance, health, house, etc. is legal really one of these needs? I doubt it!

Disability insurance is permissible on ground of needs.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Esam, OnIslam.net

Sent: Tuesday, November 05, 2013

Question: Car insurance

Salam Ustazna,

Here is a question from Shumill

Can I buy car insurance which deals with interest? **My Answer:**

Bismillah al Rahman al Rahim

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

Dear Br. Shumill

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The car insurance contract does not deal with interest.

It is either the company which sells insurance deals with interest or the contract may contain interest clause in case of delayed payment.

If there is Islamic car insurance available, deal with it and you will have none of these problems.

If Islamic insurance does not exist, take conventional insurance for car, pay the price of the service by one cash payment, with no delay and no interest and whatever the company does with other persons is none of your business. In fact owners and management of the company are responsible for what the company does not you.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Fabrice
Sent: Thursday, November 07, 2013

Question: Health insurance

Hi,

My name is Fabrice, I am not a Muslim (I have no religion and neither believe or disbelieve in god, I am still waiting for a proof of either his existence or not) and work for a health insurance company in Canada. I specialize in sickness and accident insurances, we cover your lost salary and medical expenses when you are sick and give you access to private doctors if the public system cannot cure you. One thing I love doing is door to door and talking to people about their situation to learn about the different needs everyone have. And some Muslim tells me: "I love the products, it's amazing and would help me when I'm sick, but it's against my religion".

After hearing this a few times I decided to go to a Mosque and ask an Imam to verify this. In the entrance of the Mosque I asked the people there and they told me that there is a lot of confusion on the subject but that in the world we live in and since time has changed in the last 1500 years its required for a lot of people. A Muslim that arrives in Canada doesn't have his family and friends to help him financially when he is too sick or injured to work, health insurance can save them from poverty. But then I met the Imam (from the Masjid Makkah-Al-Mukaramah Mosque) who told me that any insurance is against religion because subscribing proves that you don't believe God will be there for you when you will need him.

Not even 5 minutes after that some Muslim told me the Imam could say anything he wants and this was nonsense as there is nothing in the Qur'an that says that insurance is illegal.

What is your point of view on this? Thank you

Fabrice

My Answer:

Dear Mr./Ms. Fabrice

The idea of Health and other insurances and protections is of course a part of the Islamic religion. We like insurance be done on cooperative basis rather than by profit seeking risk buyers (commercial insurance companies).

The idea of insurance and protection is dear to us to the extent that if there is no cooperative institutions available to offer it then it is OK (from religious point of view) to take it with a commercial company.

It is true: Knowledge is not distributed evenly to priests, Imams and monks!

Prof. Dr. Monzer Kahf

From: Salman
Sent: Wednesday, December 11, 2013

Question: Term life insurance

Assalam o Alaykum

I have a question about using term life insurance as a mean for investing and using it for kids' education.

I have a financial adviser who is not a Muslim and I have expressed my Islamic views to him about interest and life insurances. He brought it to my attention and produced some Islamic

article that its ok to use term life insurance which is not interest based, it's northwestern mutual company which uses the dividend for giving out profits.

Please advise,

Salman

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Salman

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Term life insurance is permissible according to some view known in Shari'ah. Majority do not agree with this view because of the structure of the profit seeking company. Mutual insurance organizations are not profit seeking under normal circumstances and to my knowledge they do not distribute profit, rather they refund part of premiums when they have surpluses..

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hossam

Sent: Wednesday, November 13, 2013

Question: Home Warranty

Salamu Alaykum Dr Monzer

Hope you are well ...

Looking forward for your answer InShaAllah

On Thu, Oct 31, 2013 at 10:56 AM, Hossam wrote:

Salamu Alaykum Dr Kahf

I would like to inquire about the permissibility of home warranties, as offered, for example, by companies like American Home Shield (here <<http://www.ahs.com/homeowners/>>).

This is how it works : the customer pays a monthly fee (apprx \$80) per month. Then, the company will fix many house problems (as per the contract) for a fixed fee. For instance, if you have any plumbing problem, have problem in any appliance (heater, AC, oven, frig, etc...) and many other housing problems, then they will fix or replace the item for a fixed fee per visit (usually \$75) ... This is useful especially for a person who is renting their property since it can cut down on expenses or at least allows the person to limit what they will spend on fixing a house. please let me know your thoughts.

Thanks

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. HOSSAM

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

This is a form of repair contract simply for several repairs within a period of time. You can hardly call it insurance from Shari'ah point of view. The insurance element in it is the lack of prior knowledge of what and when a repair is needed.

Strictly speaking if we take insurance as not permissible then this is also not permissible for same reason. if we take only as a maintenance agreement, provided the company takes charge of the repair either by its own workers or through its out-sourced services, it can be a form of Ju'alah جعالة. In which the job to be done may not be exactly known.

Of course if we accept insurance this is also permissible.

In one word, I believe it is permissible with or without a monthly payment.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Motie

Sent: Friday, June 20, 2014

Question: Annuities and Dr. Mustafa Zarqa's Book on Insurance?

Asa wr wb

Dear Dr. Monzer

In sha Allah all is well.

I'm looking for Dr. Zarqa's book on insurance and would like to read papers on selling Annuities and Insurance; namely Life.

What are the alternatives for Muslims selling Annuities and Life Ins. in the aspect of making sure the premiums paid by clients are invested only in halal investments?

Also; are there any Muslim insurance companies in the US that you recommend?

Jazaka Allah Khairan, Happy Ramadan!

Motie Omari

My Answer:

Dear Br. Motie

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

It is good to hear from you, MaShaAllah,

I have a hard copy of the book with me here in Qatar.

There is no doubt that annuities are Riba based so is regular life insurance because it contains Riba in the amount paid after a number of year if the insured does not die. Sale of any prohibited product is Haram in Shari'ah.

Life insurance which does not have a definite payment after a given number of years such as those policies which invest in shares and one is sure to invest in permissible funds and to give away to charity the impermissible part (this is the purification) since in America there is no Halal shares without purification, this form of life insurance is permissible to buy but being offered by conventional company which is mostly interest-based is not permissible for a Muslim to sell unless one is sure it is used as mentioned above.

I think there is no Takaful company in America or Canada.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

From: Ibraheem

Sent: Saturday, March 01, 2014

Question: Important - Life Insurance + Real Estate

Dear Dr. Kahf

Assalam Alaykum WRWB

Enjoyed your fatwa on the “subject area issues”. I have few more questions:

1. My understanding based upon your fatwa, As a Real Estate agent I can represent both buyers & sellers as an agent, provided both of them know that you represent the other and take commission from the other with a clear but approximate idea of its amount, not necessarily the exact to the penny.

a) as long as I am not completing the loan application, is this true? **yes**

b) If (a) is true, can I refer the clients to few mortgage lenders? **yes**

c) If (b) is yes, Can I follow up with the client’s lender as for the status of their loan? **yes Notice in all three you are at the very edge and I prefer that you avoid it**

2. As for the life Insurance:

a) Term Insurance – Could I offer a type of policy for example 20 years guarantee premium with an option that if they do not die, can get all of the premiums they paid back? So in essence it costs the client nothing?

I believe this is permissible although dealing with a conventional company the actual cost of interest is taken from the interest on the cumulative premium. Further, I assume the premium will be higher for this added condition, can you give me an idea how much it is higher?

3. If conventional companies can do that why not Takaful (Islamic insurance) don’t do it. They can because they also use the premium and make profit out of using these premiums.

b) Whole Life – I understand your point as far as the interest is concern. Just want to point out that elderly buy very small policies to cover their final expenses (burial, funeral, etc...). Small amount is like 10,000-20,000 face amount. Their goal is not saving. But they want to lock the premium so they never have to worry about increases in premium as they get older. Whole life offers guaranteed premium. In this case, is selling whole life policies are allowed? By the way my clients are mostly non-Muslims who are looking for this kind of policies.

This kind of life insurance is life in form but term in substance because it is intended not for saving on interest. If the beneficiary is not the old person himself and if the intention of final cost is clearly understood explicitly or implicitly (so that the idea of saving on interest is ruled out) I say it is permissible.

Jaza Kalaho Khayran

Wassalam Alaykum

Ibraheem

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Ibraheem

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Please see my answers below your questions:

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Dear Dr. Kahf

Wa Alaykum Assalam WRWB

Jaza Klalaho Khayran for your response. Below please find rates per your request.

\$18.33 / Month Term insurance cost without return of premium

\$58.33/ Month Term Insurance with return of premium

Please give me your final thought on if I can offer the return of premium option?

As for the whole life my understanding from your answer is, as long as the intention is to keep the premium from going up, and buying it for the death benefit portion with disregard to the cash value it builds, it is OK to offer it to the client?

As for your answer to Q 1 on real estate, avoiding it may not be entirely possible. Because leaving it to our no experience clients may delay the settlement or possibly cancel it out by the other party & my client could be found financially liable for non performance (or delays), due to making the other side removed his/her property off the market with the hope of selling it. So the reliance on realtor is great to help them navigate through this process that happens to be the biggest investment one makes. So please give me your final thought?

Also, hoping you do not mind I contact you again as questions about my products arises.

Jaza Kalalho Khayran

Wassalamu Alaykum WRWB

Ibraheem

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Ibraheem

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I understand there are many finance brokers who work hand in hand with realtors. can't you get one of them? and reduce your involvement to a minimum and only keep it on the peripheries.

For the term life with return of premium, it is permissible with or without it. If I were your customer I take it without and save the \$40 in a cumulative way with a fund like Amana, I will be much better off!?

For the life-cum-funeral, it is permissible provided there is a clear indication in the contract or its circumstances that it is not for cashing such as the beneficiary is different from the insured or it is couple with a contract with a funeral home or the like.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Ahmed

Sent: Tuesday, July 22, 2014

Question: An insurance Fiqh question

Dear Professor Dr. Monzer Kahf,

Assalamualikum wa Rahmatu Allah

I pray that you receive this email while you are in the best of health and Iman.

My employer offers some health and life insurance options to their employees. I need to know the Islamic ruling with regards to some of those insurance/benefits. The insurance/benefits that

I would like to ask about are as follow:

1. Life insurance.
2. Accidental death and dismemberment insurance.
3. Critical illness insurance.
4. Long term disability.

I would like to say Jazakumullahu Khairan in advance for the time and effort you would spend in answering my questions.

Salam and regards,

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Ahmed

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

These four insurances, like all other kinds of insurance have the same ruling. Insurance contract itself is founded on uncertainly. It aims to transform a potential loss whose amount and time are not known and cannot be influenced by the potential loser into a definite amount which is the premium you pay. The Majority of scholars argue that when this is done on exchange basis it is not permissible. The wise minority which includes very famous names argue that while it has uncertainly the uncertainty in insurance is contained by the application of the probability theory.

Accordingly, when an Islamic alternative is available, all agree that it is better to take the Islamic (many people call it Takaful or Islamic insurance, essentially it is founded on cooperation and payment of membership fees to the cooperative instead of being an exchange contract between a company and an insured). But when it is not available, like here in America, you may take the conventional if one feels it is important to take, thus following the opinion of the wise minority which I agree with. This applies to your questions of the four insurances as well as to health insurance and car insurance which you did not ask for. Here we apply the principle of need and necessity, if you think it is important for you to take this insurance because of the potential loss you may take it even if you pay the full premium. But if you think an insurance is a luxury, it is better to avoid it. There is no difference in this regard between life, illness, accidents and other kinds of insurance. Also if you feel that it is important for you to benefit from the offer of the employer, because it pays part of the premium or it gives reduced rates or any other benefit to you, you need not sacrifice these benefits and you may take what you need of these insurances.

Another point: when the law or the employment contract requires it, you may accept taking it.

Finally, it is offered free by the employer, you may accept it in all cases because you are not the person who contracts it, it is simply a fringe benefit of employment.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Mohammad

Sent: Tuesday, October 07, 2014

Question: Insurance and house financing in America

Hello Dr. Monzer

My name is Mohammad Salem from New Orleans, Louisiana and this is my concern.

I work as a car salesperson at a Ford dealership, when I first started 3 years ago our pay plan was to make 25% from the front which is the actual profit of selling the vehicle and 3% from the back which is the finance department that includes interest. I took this job as a car sales person to get out of the grocery business not knowing that we get paid off the finance department. I prayed that Allah will guide me to a lawful income and hamdullilah the dealership changed the pay plan to salesman only get paid from the commission of the profit which is 25% not the finance amount. A year went by and now I'm feeling guilty that I am still doing haram because I'm always talking to customers about their interest rates, the question is am I taking our religion too complicated or is it haram to be a car sales person speaking about interest rates all the time?

Secondly, I am trying to pursue a career

As a real estate agent for so many reasons, I'm sure being a real estate agent isn't haram but of course we all know that most homes are financed through traditional banking system in the U.S. Is it haram to sell homes knowing the buyers are taking loans? Is it haram to guide a customer to a bank so you may be able to sell the home? We know this customer will get a loan to finance his home no matter what we tell him as agents.

At last, is selling car insurance haram?

Again, am I taking our religion too complicated or are these jobs haram?

I am asking you all these questions because I'm the one that's involved in this financial direction. If being a car sales person is haram, I want to make sure that I won't make a decision in a career again then it turns out to be haram. I want to make sure it's halal to pursue being a real estate agent and insurance agent?

Thank you

Mohammad

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Mohammad

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

On one hand, yes, our religion is demanding, it requires a Muslim to live his/her religion in all his/her 24/7. This is also one reason for Muslim to live in communities and create suitable institutions for their living in accordance with religion.

On the other hand, the rulings and fundamental stand of this religion aim at making life easier, more convenient and better joyful without sacrificing righteousness and fairness. Here where we repeatedly find in the Qur'an and the Sunnah the removal of inconveniences, embarrassment or annoyance.

Come to the issue of interest. It is prohibited in the Qur'an with strongest terms and expression, it provokes war declaration from Allah and His Messenger (Riba as mentioned in the Qur'an is exactly what we call interest in finance transactions, look at its definition in verse 2:279). Prohibitions are of course of different levels and degrees, some are stronger than others and some have more related prohibitions than others. For instance the Prophet, pbuh, informed us that ten things are Haram in relation to liquor, these include carrying it and serving it while in regard to pork eating only is prohibited. Add to it the price of anything prohibited as

mentioned clearly in an authentic Hadith.

For Riba, the Haram is four matters, taking it, giving it, writing it and being a witness of its contract. functions that make a part of any of these four matters are part of them such as typing it on a computer, reviewing its contract by a lawyer and the like. actions that are not part of these four matters are not prohibited (although they are very near and touchy). Accordingly, taking 3% of the amount of Riba in financing a car is not permissible and whatever you have taken in the past should be given to charity along with Tawbah and Istighfar. Guiding a person to a better source of interest loan is not included, it only helps him reduce the burden of Riba and the lesser the burden the lesser its evil. Hence, guiding a customer to a better loan source is not bad, it rather may mean, in ultimate analysis, reducing the amount of evil. But writing the application for the customer is part of writing the Riba, it is included and should be avoided.

Also a career in car sale is permissible and rather helpful to people so is a career in real estate. It is true that both exposes you to come very close to interest but you can avoid being part of the four functions. Beside in real estate buying on interest may be often the lesser of two evils for Muslims or non-Muslim alike.

Please if I did not give all the answer you expect come back for any further details.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Thank you for taking your time reply back and thank you for the detailed answer.

You missed one more questions. I also asked if selling insurance is prohibited? I've heard life insurance is because of interest but now I also heard some scholars say all types of insurance is prohibited but because it is the law, there's no harm on you but on the person that forced it upon you. So, for that reason why I'm asking if selling insurance is prohibited?

There are two views about insurance, minority which argues that conventional insurance contract is permissible provided its subject is permissible (e.g., insuring a shipment of liquor is not permissible) and it does not contain any interest clause, and majority that the commercial insurance as we have it in the US is not permissible unless when required by law because of the great amount of ambiguity regarding timing and amount of the insurer's liability. In both view there is no difference between life insurance and other insurances.

While this applies to us in America in regards to taking an insurance contract and selling it, it does not apply to owning a conventional insurance company because of the investment side of the company. Almost all general contract insurances do not have interest in them and term life insurance also does not have interest so is variable equity life insurance if one makes correct selections of funds that are permissible. Of course selling regular life insurance is not permissible to Muslim or non-Muslims because the contract contained interest as basic to it.

Can you also emphasize on the last sentence, "beside in real estate buying on interest may be often the lesser of two evils for Muslims and non-Muslim alike" I didn't understand it.

It may be the lesser of an evil for a Muslim family in absence of Islamic finance and needs for decent housing with shortage of rental decent houses, for non-Muslims it is a similar comparison in addition to financial consideration.

At last for the sake of knowledge, did you say that eating pork is prohibited but selling is not?

No, I said its price is Haram when it is sold for eating, this also include raising swine for eating. But selling pork product, e.g., the hide, for other usages is permissible according to most

reliable sources of Fiqh.

Thank you again.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Mohammad

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Please see my answers below the questions:

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Dr. Monzer

I appreciate your answers. I do apologize for misunderstanding the pork issue.

I will bother you with a little more emphasis on one of your answers, does this mean that we are not allowed to own a conventional insurance company referring to cars and homeowners insurance?

While this applies to us in America in regards to taking an insurance contract and selling it, it does not apply to owning a conventional insurance company because of the investment side of the company

My answer:

Of course and we are not allowed to own shares in conventional insurance companies or banks and their likes

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al 'Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Habib Ahmed

Sent: Monday, July 27, 2015

Question: Loans to members from Takaful

Dear Br. Prof. Monzer,

Assalam Alaykum and a belated Eid Mubarak.

I have a query that seems a bit confusing. Say we have a takaful structure where the takaful operator (TO) manages a participants risk fund (PRF) on a Wakalah basis and takes a fee (%age of the contribution) for providing the service. The Tafakul is structured in a way that there is an option for the members to take Qard hassan from the PRF? note that the Qard is from the PRF and not form the TO. Can the TO charge a fee (that is higher than actual costs) from the borrower to process the Qard application as this would be some additional service that TO has to do which includes, among others, processing the Qard, liquidating investments of PRF, etc.

As usual you valuable perspectives are appreciated. Wassalam,

Habib

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Dr. Habib

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I see this as a pure contractual relationship that should be governed by the contract. If the contract is silent about a fee for the Qard, it cannot be charged and vice versa. You cannot ask any person to pay anything except through a contractual relationship.

BTW, such loans cannot be from the PRF, they can only be from saving contributions in life insurance. Otherwise you are jeopardizing the risk actuarial assessment and justice between insured.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: M A Majeed

Sent: Saturday, August 08, 2015

Question: Home Insurance.

Dear Dr. Monzer Kahf,

Assalam Alaykum Wa Rahmatullah!

A recent lightning strike on my house destroyed my only dwelling place and my family was displaced, presently living in a rented apartment. Alhamdulillah our lives and health were spared and we are all in good shape. This happened on 5th of May 2015 and since then my family has been trying to rebuild our home. We have communities and friends and many unknown donors that have provided us with moneys required for restoring our home to its condition before this incident. May I add here that we are just short of few thousands which InShaAllah will come our way.

I am of the belief that the insurance is not permitted and hence after paying off the house I had cancelled my home insurance. Alhamdulillah the results of it are evident. Help coming from sources that we never imagined. However, a feeling of becoming being dependent on alms has crept into my heart which InShaAllah will go away. Please include us in your prayers.

I tried to find answers to Home insurance in the absence of home mortgage could not be found. I will be thankful to you if you could provide me fatwa based on Shari'ah law. Till this day me and my son do not want to get involved with either health insurance or Home insurance as we believe Allah will provide and he will take them away when as he deems fit. We have to look at the nations where there does not exist things as home insurance.

Alexander the great left a Wasiyyah after conquering half of the world to leave his hands out of the shroud when he dies and the reason is obvious. Most of us can't be so, as we are weak.

However we should try to adopt the injunctions in the Qur'an. Your advice please.

Jazakallah wa Khair

MAJEED

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Majeed

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

You have the right to your own believes.

But if you ask me about insurance, of all kinds, I would say that it is a new matter which did not exist in the long past when our Fiqh was discussed and formulated . it is in fact controversial.

There are people among The Shari'ah Scholars who argue that it is not permissible because it involves a great deal of Gharar (ambiguity about the fundamental contractual obligations of the parties). There are other people who argue that it is permissible because the amount of Gharar in it is tolerable especially that it has no alternative to satisfy the needs it satisfies.

On the opponent side, the Fiqh Academy of the OIC (organization of Islamic cooperation) in 1985 took a resolution that it is not permissible because it contains Gharar. On the permissible side are great scholars such as the late Abu al A'la al Maududi and the late shaikh Mustafa al Zarka. The basic argument of the latter is: yes, there is Gharar in it but its Gharar is contained by the law of probability and large numbers. It has some similarity to ancient relationships approved in Shari'ah such as guarding contracts, road safety contracts and al ?Aqilah.

All two sides agree that it is permissible when required by law (now all countries in the world require car insurances) and when it is necessary. Many argue that home insurance, merchandise transport insurance and health insurance are necessary

I agree with the opinion that goes for permissibility and for the necessity argument for home and health. I in fact will add you as example of necessity of home insurance. You could have saved yourself the humiliation?.

Now may countries have Islamic insurance, called very often Takaful. It provides same insurance exactly on a cooperative basis, that is the insurance activities are made non-for profit rather on cooperation between the insured. Definitely whenever it is available this is better. Takaful companies also give life insurance although we then call it family insurance because it is for the family not for guaranteeing life.

Lastly I should mention that outside the learned quarters there are many laymen Muslims who think that insurance has elements of gambling and Riba. this is incorrect and the most strong opponents of insurance among Shari'ah scholars brushes these claims aside. In fact there is no Riba or gambling (Maysir) in insurance.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hossam

Sent: Saturday, September 05, 2015

Question: Additional car Warranty from manufacturer

Salamu Alaykum Dr Monzer

hope you are well and the family

I have a question about car insurance.

when you buy a new car, the car manufacturer sells additional warranty that can cover certain parts of the vehicle for up to 8 years if something goes wrong with them. For instance, if the transition goes wrong within 8 years, they will fix it for free (and so on). is it acceptable to purchase this type of insurance ?

another type of insurance is also sold on various items (say TV) that you buy so that if something goes wrong with it within a certain amount of time (say 2 years) you can exchange

it. Is this one acceptable ?
may Allah reward you

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Hossam

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

These are nothing but insurance contracts. In my opinion these are permissible along with most other insurance contracts on the basis of needs for them in contemporary life especially in our Western fast societies and with the lack of Islamic alternatives. (the Islamic alternative is simply by carrying these contract on non-profit/ cooperative basis).

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Musthaq

Sent: Friday, October 23, 2015

Question: Availing credit card insurance

Salam Scholar

I would like to know what will do in the following situation.

One man died suddenly left his wife and three children.

They were in good living, but no wealth kept. Now daily expense is difficult.

Before his death he took ticket from credit card of worth around 4000 Dirhms.

Since he died there is insurance protection. Now family ask whether they have to pay close the card or avail the insurance facility which will close the credit card by giving death certificate to bank.

May Allah bless all of us. Thanks and Best Regards

Musthaq

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Mushtaq

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Your question is vague. What is the ticket he bought for 4000 dirham? Is it a game ticket that he watched? Also insurance companies do not issue death certificates. The is issued by certain government authorities. To discuss these point you need to clarify your statements in the question?

However I gather from what you said that the deceased had some kind of insurance policy and that the insurance company pays some amount for his debts and may be more to be given to the family. Also the insurance is conventional not Islamic Takaful.

It is permissible for the family to take all that. It is now fait complis. If there is a haram, which is controversial as there are well recognized Ulama who believed that conventional insurance is permissible, it is done by taking the conventional insurance by the deceased. Now it is

implementation time. It is now a right of the beneficiaries for which they did not commit any sinful action.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: tawfick

Sent: Tuesday, October 27, 2015

Question: Mortgage Life Insurance

Aslm w w Dr. Monzer,

First National LLP has something called Mortgage Life Insurance. From what I understand is that it is an insurance where if I die, First National will pay off the remaining of my mortgage instead of having my wife and/family to pay the remaining amount.

Can you please let me know if this Mortgage Life Insurance is allowed from the Islamic point of view.

More information about this insurance can be found here:

<http://www.firstnational.ca/Residential/Our-Products/Insurance-and-Home-Warranty/Credit-Security-Plan/> <<http://www.firstnational.ca/Residential/Our-Products/Insurance-and-Home-Warranty/Credit-Security-Plan/>>

JazkaAllah Kheir.

Tawfick

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Tawfik

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

It is like any other insurance in the market. permissible by a minority, to which I belong, and not permissible by majority unless necessary or obligatory. However mortgage itself is not permissible if Islamic finance is available which has mortgage of its own too and may be insured.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Mas'ud

Sent: Friday, November 06, 2015

Question: Health Insurance

Dear Professor Kahf,

Asssalam A'laekum warahmatullahi.

I hope this email finds you well. I will like to know if health insurance is halal?

Thank you.

Mas'ud

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Mas'ud

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

All insurance kinds have essentially same principled ruling: whenever possible it should be in the form of Takaful, and whenever it does not exist anything that is either required by law or necessary (as judged by the concerned person) is permissible to take.

Of course there is the minority view (to which I belong) that says: 1) conventional insurance is permissible provided it has no interest and its object is permissible; and 2) whenever Takaful exist, it is better to take it as this remove a potentiality of disapproval by other scholars (the majority).

Applying this to health, it is very often necessary, and it does not have interest and its object is permissible: it is permissible according to all.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf
