

FATAWA INSURANCE 2016

From: Communication Darul Islah

Sent: Monday, February 08, 2016

QUESTION: INSURANCE BENEFICIARY AS MASJID

Dear Br. Monzer,

Assalamu Alaykum WRWB,

I pray to Allah SWT that you are doing well and may Allah accept your services you have been rendering to his Deen.

We have a dilemma as explained briefly below and need your guidance in this regard.

A brother in our community has taken an insurance policy to cover his funeral expenses. He has made Darul Islah as the beneficiary of the policy. Darul Islah has to make all the arrangements and any excess amount after the expenses are covered goes to Darul Islah.

Please advise if this is permissible.

Jazaka-Allah for your help in this regard.

Darul Islah is located in Teaneck, NJ. It is one of largest mosques that are serving Bergen County and the areas in its vicinity since the 80's in northern New Jersey. Wassalam,

Sincerely,

DARUL ISLAH

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 Darul Islah

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

First, insurance is controversial not absolutely agreed on as Haram.

Second, if we take the view that it is Haram, the person took that Haram not you and as far as you are concerned the case is: someone made arrangement with another to pay you an amount of money after his death and asked you to pay certain expenses (funeral) and the extra to you. I do not see any problem in accepting this task, especially that funeral is Fard Kifayah, and the doubt about the remainder is solved by giving it to the poor instead of accepting it as a general donation for the org.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Amjed Dana

Sent: Thursday, March 10, 2016

Question: Beneficiaries for work life insurance

Assalamu like,

InShaAllah you are doing ok. It has been a while since I last emailed you. I have a life insurance policy fully paid by the company I work for. For the beneficiaries, is it required that I set it up

according to the Islamic inheritance? I would like to ensure my wife has sufficient money in case something happens to me. Alhamdulillah, my parents are self-sufficient and InShaAllah will always be. Jazaka Allah Khair,

Amjed

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. Amjed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Life insurance payment is not a property owned by the deceased during his life time. Accordingly there are two views about it: 1) applies the principle that you can then determine the beneficiary as you like, be it your wife is OK. Or) consider it similar to properties you owned in life time. It is OK too. many contemporary scholars go for the second view including myself especially when there is a real reason for such an action and it is not intended to in reality challenge the distribution of estate that is mentioned in the Qur'an.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Islam

Sent: Sun, May 15, 2016

To: Imam,Mosque

Subject: Life and disability insurance

السلام عليكم

I have a question and need your help in answering. It's about life and disability insurance as it is an option for the kids in case there dad happens to get sick. And he is there only source of income

Regards

From: Imaam Mosque

Date: May 15, 2016

Subject: Re: Life insurance

Dear brother Mr. Islam,

Wa`alaikum As-Salamu Warahmatullahi Wabarakatuh

Thank you for your question.

I recommend you to refer your entire financial question along with this one to Prof. Monzer Kahf who is an authority in Islamic Financial issues. This is due to: 1) respecting specialty as we respect specialty in every field, and 2) The delicate nature of your question fall beyond my area of expertise.

Prof. Monzer is available at: monzer@kahf.com

You can also visit his website at: <http://www.kahf.net/>

If you have any non-financial questions, please try to contact us. You are always welcome.

Imam, Dr., Mosque

----- Forwarded Message -----

From: Islam

Sent: Monday, May 16, 2016

السلام عليكم

I have a question and need your help in answering. It's about life and disability insurance being considered Halal or prohibited, as it is an option for the kids in case their dad happens to get sick. And he is their only source of income.

Regards

Dr. Islam

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. Islam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

There is no doubt that insurance is a very useful thing in our extra complex life today. It pop up in all areas; property, care, medical disability, life, business, travel, trade, employment, etc.

Insurance contract is one that has a great deal of unknowability in regard to what may happen, when and the cost involved. The way of practicing it in most of the times is through an exchange contract between you and the insurance company (the insurer).

The principle in Shari'ah is that all exchange contracts must have complete transparency in defining the exact obligations of its parties. Violation of such transparency means that the exchange contract includes an element of Gharar which invalidates any exchange contract. This is why contemporary Shari'ah scholars have different opinions on insurance, in all its kinds and objectives. The majority considers it invalid especially that its objectives, all, can be achieved through cooperation (creating a fund to which members contribute and the fund provides the required [or desired] kind of insurance, i.e., payments or compensations to the desired satisfaction in case the risk happens). This concept of cooperative insurance already exists in the world in most countries. In many Muslim-majority countries people established cooperative insurance funds that comply with Shari'ah (in some minor refinements in addition to the principle of cooperation) and they are mostly called Islamic insurance or Takaful companies.

According to a minority group of scholars the exchange insurance contract is permissible because it is very useful and in many occasions rather necessary, in spite of the fact that it contains Gharar. They argue that Gharar is tolerated in cases of necessity. These scholars add two conditions for permissibility: 1) the object of insurance should be permissible, e.g., insuring a shipment of liquor is not permissible because liquor is not permissible, and 2) the contract must not contain any interest as interest is a great sin.

These views apply to all kinds of insurance including life and disability. Although I appreciate the first opinion and understand its strength I also see the relevance of the second view especially for Muslims who live in countries that do not have Takaful companies or where Takaful companies are more expensive than other insurance companies. Accordingly if you are in America and you think that you really need disability insurance in addition to what is normally provided by social security or through employment, I believe it is permissible to take it through conventional insurance companies.

For life insurance you should avoid the kind of contract that contains interest. That is what is called regular life insurance or simply life insurance (it contains a condition of paying an amount of money after a number of year if the insured does not die) because this amount is interest-based and it is in reality the cumulative investment part of the premium at compound interest for the given number of years. Universal life insurance if you choose investment in shares (and avoid bonds) and term life insurance doesn't have interest in the core of the contract. This means they are permissible according to the second view.

Lastly, obligatory (by law) insurance such as car insurance in most countries today and insurance given by law such as social security and insurance given by employer is not Haram according to both views on the ground of being forced by law or being done by the employer not by you and you are simply the insured.

By the way, where is this Rahma mosque?

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Imaam, Mosque

Sent: Tuesday, August 09, 2016

Subject: Life insurance Policy

Dear Prof. Monzer,

As-Salamu Alaykum.

We were all very blessed to have you in Toronto and we look forward to having you here in next semester, InShaAllah.

Kindly try to help us answer the question below for a member of our community.

Thanks in advance for all your help and Jazaka Allahu Khairan.

Imam Dr.

Forwarded message

From: Mohamed

Date: 5 August 2016

Subject: Life insurance Policy

To: Imam, Mosque

Al Salamu Alaykum Dr.

I wanted to know if life insurance policy is Halal or not! it was requested by the bank for a financial deal, however it's not a must I would like your opinion on this matter.

Jazaka Allahu Khairan.

Mohamed

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. Mohamed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Since Islamic insurance is not available in North America, we are taking the other opinion, which is the view of the wise minority among Shari'ah specialists, that insurance is permissible provided it does not include interest.

Life insurance for mortgage finance does not include usually interest. Other life insurances such as term life insurance and universal life insurance (which invests in equity, provided one select funds that are permissible and apply the purification principle) do not also include interest. Only the life insurance which offers the face value if the insured does not die within the life span of the policy contains interest.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Ammar

Sent: Monday, September 05, 2016

Subject: Insurance on livestock and invested capital

Dear Baba,

I have two questions from the team here:

- 1- Insurance on livestock, crops, inventory and other: legality Islamically.
- 2- Insurance on investments or capital – not the correct wording, but the idea is to protect the investments by shareholders.

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 son Ammar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Insurance in both questions is permissible. If there is Islamic insurance you should go for it but if there is no Islamic insurance and owners/managers feel it is desired (less than necessary) it is permissible to go for conventional insurance.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Taheseen

Sent: Thursday, October 06, 2016

Subject: Is life insurance permissible?

Assalamu Alaykum wa Rahmatullah wa Barakatuh,

Hope you and your family are well by the Grace of Allah.

Brother, kindly advise if life insurance is permissible where after death the inheritors are paid the insured amount of money? The policy that I am looking at does not provide any amount for any disability/accident occurring during the period of coverage.

Regards,

Taheseen

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. Taheseen

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If there is no Islamic life insurance available to you and you need life insurance, it is then permissible to take if you avoid any policy that contains interest. Disability and accidental death may be covered with no problem.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hossam

Sent: Saturday, October 15, 2016

Subject: question on accidental insurance

salamu Alaykum Dr Kahf

hope you are well InShaAllah

Would like to ask if the insurance below is permissible

This Plan provides a benefit to someone you name as your beneficiary if you die in an accident, or to you if you suffer dismemberment as a result of an accident.

- You can elect Voluntary ADD for you, your spouse or approved domestic partner and your eligible children.
- You can elect an accidental death benefit of one to 10 times your salary, rounded to the next \$1,000, up to a maximum of \$1,000,000. The amount you elect is called the principal sum, or your death benefit.
- You can elect coverage to include your eligible family members. The spouse or approved domestic partner benefit is:
 - 60% of the principal sum if there are no dependent children at the time of the accident
 - 50% of the principal sum if there are dependent children at the time of the accident
- The child benefit with family coverage is:
 - 20% of the principal sum if there is no spouse or domestic partner at the time of the accident (50% for dismemberment benefits)
 - 15% of the principal sum if there is a spouse or approved domestic partner at the time of the accident (50% for dismemberment benefits)
- Dismemberment benefits are paid at a percentage of the death benefit.
- Certain types of losses are not covered.

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

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Except for the ADD that you mentioned in the second bullet point which I don't know what does it mean, I do not see in this plan anything other than an insurance policy. It is permissible if it is offered by an Islamic insurance cooperative. For conventional insurance it is permissible if you think you really need it.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf
