

FATAWA INSURANCE TAKAFUL 2000-2021

From: Imam Muhammad

Sent: Tuesday, July 13, 2021 12:27 PM

Subject: Life Insurance

Question:

Assalam alaykum dear Dr. Monzer,

Eid Mubarak for you and your loved ones. Could you please Dr. Monzer provide us with the fatwa on the below question from Br. Basim about life insurance?

Jazakumullah Khayran

Muhammad

From: Basim

Dear beloved sheikh Mohammed

AsSalamu Alaykum warahmatol-Lahi wabarakatohu.

If you please I need fatwa regarding the so, called life insurance and the story is:-

I bought a house based on fatwa of sheikh Qaradawi and sheikh Abdal Lah Hamoud I took mortgage under my name and my wife's name and I am 72 years old and I am on ODSP and my wife doesn't work and I am thinking about death and as you know death is Haqq so, we have remember death always, so,, in case of I die... the mortgage company will take away the house and they will throw my family on the street so,, the only way to protect my family is to get life insurance so,, my question is:- In this case if I get life insurance is it permissible or Haram.

Remaining mortgage is : \$130,000

And I will ask insurance for \$150,000 because I don't know after death if there will be a cost for the procedure or any hidden fees.

Wajazakum Allahu khayran

Abu Rakan

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. Shaikh Abuelezz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Eid Mubarak to you and your family and all the Muslim community in your area, I still carry the sweet memories of my visit to you and the community there,

Kindly inform the questioner that that life insurance, like any other insurance, is permissible if there is no Islamic insurance where one lives and it is either required by law or very useful (even less than necessary in the strict meaning of necessity). It seems to me that the case described by the questioner falls under this permissibility.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

www.kahf.net; www.kahf.com/blog

From: Thanzil

Sent: Tuesday, April 20, 2021

Subject: Home Investment and Life Insurance

Question:

Assalamu Alaikum. I am Thanzil living Scarborough (Ontario, CA) for last five years. I came here as a student and become permanent resident now. I do have a question? I am planning to invest in a pre-construction condo which will be ready to move in 3 years in sha Allah. My plan is to invest there and sell once it's ready to occupy. I want to take that equity of condo to deposit into my future home as down payment. Am I allowed to do this? I know the consequences of interest and want to be clear about this please. Given this country and scenario am I allowed to do this?

Also Is Life Insurance halal? I do have life insurance for last two years. It includes critical illness as well. Is it permissible? Please advise and Jazhakallah hair.

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. Thanzil

Ramadan Mubarak to you and Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Investment in housing and other businesses is always permissible as long as you avoid interest (= Riba that prohibited in the Qur'an) and Haram products. Remember that all such investments are subject to Zakah that is due every Lunar year to be given to the poor and needy.

All insurances are controversial and there is an alternative in some countries which took the name of Takaful of Islamic insurance. But unfortunately, it does not exist in Canada. However, if insurance is required by law such as car insurance of one feels it is necessary for him\her it is Okey to take it. This applies to life and other kinds of insurances.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

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From: Wassim

Sent: Monday, November 2, 2020

Subject: Auto Insurance claim

Question:

Assalamu Alaikum Ustath Monzer

I could not think of anyone who is more knowledgeable in this field than yourself.

My car suffered a damage to the front right corner of the bumper and it cost me about a \$1000 to fix (with a local auto body mechanic) however before I found the mechanic I went through an insurance claim and was offered \$3600 less \$1000 deductible. If I go through with the claim I basically made a \$2600 in pricey out of my loss! I am not sure if this is Islamically acceptable or not. I wanted to ask you before making a decision.

Thank you

Wassim

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. Wassim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Insurance is not to profiteer from. It is only a compensation of the damage. Apparently, by spending more effort in searching for lower price for the repair you made it with a smaller cost but also remember that the car value declines because of the damage although it is repaired. So that the difference may partially compensate for that. If you have any doubt that the insurance company overpaid you my suggestion is to donate the extra amount to any cause of benevolence, e.g., Muslim charity. Do not return it to the insurance company because it will disturb their system and create trouble for them and for you too.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

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From: Susan

Sent: Tuesday, October 13, 2020

Subject: UL universal life insurance

Question:

اسفة جدا دكتور
انا سوزان من كندا
لما وصلت لكندا اخذت رخصة العمل في مجال التامينات ومن ضمنها هو تامين على الحياة لكن مترددة في عمل تامين على
الحياة للشك بانها لا تكون حلال
لكن الاحتياج الى التامين في هذا البلد اكثر من البلدان العربية لكون في هذه البلاد لدينا ديون كثيرة ولا احد يوفيهما بعد
الموت وتبقى الديون في عاتق الاهل من بعدهم
Universal Life Insurance هو UL
ولم اشرح هذا التامين لانه اذكر لما جئت لكندا والتقينا بحضورتك في جامع اوكسفورد بلندن اوناريو قد شرحت عن هذا
التامين فتوقعت تعرفه وتذكره لكن انا اسفة جدا لعدم توضيحه
وهذا التامين يستمر الى عمر ١٠٠ سنة وفيها تامين على الحياة ومع استثمار يستطع الشخص يسحب هذا المبلغ وهو في
حياته
شكرا جزيلاً على سعة صدرك ومنتظر منك اجابتك الكريمة
مع الشكر الجزيل

Follow up

السلام عليكم دكتور منذر. أنشالله تكون بصحة وخير وعافية انت والعائلة،
في عوايل لديها ديون للبيت او ديون السيارة او يرغبون بعمل استثمار لاولادهم
الاستثمارية هي الانسب لوضعهم المادي UL وطريقة
حلال؟؟؟ UL لكن من باب الشرع هل
نطلب شرحك وتوضيحك للموضوع للحفاظ على العوايل في دول المهجر حيث لا يوجد الاهل والاقارب لدعم العايلة التي
تفقد ممولها المادي
مع خالص التحيات والاحترام

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. Susan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Universal life insurance has the least Haram if the insured managed it with these two condition: 1) select funds of least Haram components, and 2) apply the purification principle by assigning a reasonable % of final payment at death to Muslim charity (this percentage is based on best educated guess about components of funds, most likely about 20% would be good provided condition one is satisfied).

Life Insurance is normally only taken by people of middle-income people not by the poor.

Usually when you buy a house in the ability to pay is not strong they add mortgage insurance, other debts are not transferred to heirs but remain on non-house estate. The lower middle class are much better off without insurance in Canada and all similar countries. Finally, sorry for the delay

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

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From: A brother

Sent: Wednesday, August 5, 2020

Subject: Fees and charges in insurance

Question:

Jobs/Surcharges

Salam, I hope you're doing well.

My question consists of two parts.

- 1) I currently work as an insurance agent, and I want to switch jobs either become a claims adjuster or as an underwriter and I just wanted to make sure the job itself was OK. It would be in insurance as well.
- 2) I know late/NSF fees are haram and considered Interest minus the admin side of the fee. As an underwriter or even an insurance in other fields, sometimes you have to apply a surcharge if someone has a bad history of missing payments/has tickets/accidents or if the risk is higher the premium is higher because of that surcharge would this be considered impermissible as you are insuring based on risk?

We are applying surcharges on a daily basis in our insurance job and may have to in the other jobs as well, so I just want to make sure first.

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.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Working in conventional insurance is very controversial as most scholars disapprove the insurance contract and these days there are many Takaful or Islamic insurance companies

exist today in many parts of the world. Of course, when comparing between underwriter and adjuster, a fair adjuster is better job than underwriter. The latter establishes and sets the insurance contract while the former makes its results fair and just.

For the second question, adding a surcharge over the contribution in a Takaful contract because of added risk is permissible when it is done during the negotiation and the contract is signed but any surcharge after signing contract is not permissible.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

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From: MAROOF

Sent: Friday, July 3, 2020

Subject: DEBITING CUSTOMER'S ACCOUNT DUE FOR INSURANCE RENEWAL

Question:

Assalaamu alaikum,

Dear respected Prof.

I sincerely hope my email reaches you in good health and peaceful condition.

In the process of financing, it has been observed that very few customers care to renew their expired Takaful/Insurance, there by exposing the Bank to avoidable risks.

In view of the above, can the Bank go ahead to force debit customers' account in order to cover the Bank's interest on financed asset if they fail to renew after several reminders?

We therefore seek your Shariah opinion on the request.

Thank you

Maroof

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. Maroof

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

As long as ensuring the asset or the collateral is mentioned and required in the financing contract, its continuation is part of fulfilling the contract requirement. Accordingly if the customer fails to fulfill this condition, you may, after appropriate reminder and warning, you may renew the insurance protection on behalf of the customer and debit his account for the amount paid in addition to the actual cost incurred by the bank for the reminder, warning and actually renewing the insurance contract this is the out of pocket cost of the time of the staff used in that in addition to any paid out amount if any.

Additionally, when we make the renewal, the Bank must only use Takaful even if it is more expensive than the insurance the customer chose at the time of the contract if the latter is not Takaful.

However, IN THE WORKING LETTER THE BANK MUST MENTION THIS LAST POINT ABOUT USING ONLY TAKAFUL EVEN IF IT IS AT A RATE HIGHER THAN THE RATE THE CUSTOMER PAID FOR INSURANCE WHEN HE BOUGHT IT

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
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From: Mohamad
Sent: Friday, June 19, 2020
Subject: RE: Is life insurance Halal?

Dear Dr. Kahf,
Assalam Alykom Wa Rahmat Allah,
I am Mohamad, a resident in the USA. I recently got married and am wondering if getting a term life insurance (to support my wife if I pass away, God forbids) is halal? Why? Why not?
Sincerely,
Mohamad

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. Mohamad
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Term life insurance is like car insurance. In reality, there is no difference at all. The Issue in all insurance is whether the principle of commercial insurance is acceptable or not. Majority argue it is not permissible and definitely if insurance can be arranged in a cooperative manner it is a lot more appropriate. Risk is not a thing to be traded or making profit from. The idea of selling risk is not a rational idea, it is an arena where people should cooperate to face and make up for any peril when it happens including preparing in advance for it. Not an area of making profit.
When cooperative insurance does not exist, commercial insurance becomes tolerated for car insurance, property, life, travel and all other insurances. When we tolerate insurance, we still try to avoid Riba (interest). Term life insurance normally does not have any interest.
If you think clearly you will find no difference between life insurance and other insurances, in all of them the peril is not controlled by either party, it is an outside event. If this incidence is death or collision or a storm or a theft doesn't make a difference and the insurance does not affect either peril, it rather take repair action after it happens.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
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FATAWA INSURANCE 2019

From: Omar

Sent: Friday, October 4, 2019

Subject: Warranty

assalamu alykum Dr. Kahf,

Would it be permissible to buy an extended warranty on a car after it's already been purchased? (ie. I've had the car for 2 years, can I buy an additional year of warranty)

Omar

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. Omar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Ues, it is permissible, it is just like takinng a new insurance.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@kahf.com; www.kahf.net; www.kahf.com/blog

From: Dr. Mohsen

Sent: Tuesday, September 17, 2019

Subject: Life insurance

Salam dear Prof. Monzer,

Please take the time to answer this question:

Shahinda

Assalam alaikom,

I do have a question that really bothers me

I bought a house over a year ago and it was a must that i get a house insurance in case it burns down, floods or anything else

However how about life insurance. If i die, the life insurance pays to my beneficiary (kids) the value of the house so that my kids can pay off the house without having the house taken away from them.. is this halal or not? I bought a life insurance once but it has been bothering me ever since

Thank you

May Allah guide us all

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. Shahinda

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

insurance contract, whether house, property of life has a great deal of unknowability by its nature. This makes it not-permissible when it can be avoided. This is what justifies creating Islamic insurance which is based on cooperation of pooling resources together not on exchange relationship.

Accordingly, if Islamic insurance (often called Takaful) is available we better take it. But if it is not available and we need insurance for house, car, health, life, etc. It is permissible to take as much needed of it provided we avoid interest (some kinds of life insurance are interest-based and some, e.g., term life insurance, are not).

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

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From: Gaith

Sent: Wednesday, August 28, 2019

Subject: Whole life insurance

Salam alaykum Dr. Monzer,

My name is Gaith Adhami. It has been many years since I last saw you. I pray you are doing well.

I read your fatwa on life insurance because someone was trying to sell me whole life insurance/ permanent life insurance as a retirement strategy.

They told me they use the premiums to invest in the stock market and then if you don't die you can withdraw from the savings after retirement.

From what I understood from your website is this is unlawful because there is interest in the contract, correct?

Gaith

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 nephew ghaith

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Thank you for writing and hope you and family and parents and siblings are all alright. Please give my Salah to your father too.

Usually what is called whole life contains interest in the part that you cash after a given number of years.

But I noticed that different companies use different names and terminology. Please note that "they invest in stocks" is not sufficient as all insurance companies invest in stocks. So you need to look into the details.

All insurance companies nowadays offer life policies that specifically make investment in the stock market and give you the choice of several equity funds to choose from. Then one may choose funds that have the least Haram and still assign some part of the collected value (when collected in the future) to Muslim charity in order to purify the remaining from any remaining Haram (which shall always exist being in American markets). All other facilities also usually offered such as withdrawals, taking loans from your own account, etc.

On the other hand, term life policies, which are similar to car insurance, are permissible.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

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From: Hossain

Sent: Saturday, May 11, 2019

Subject: Insurance to cover Term Life, Terminal Illness, Critical Illness

Dear Sir,

Salaam. I have studied some of your answers about Life Insurance, Terminal Illness, Critical Illness etc. I also studied opinions of some other scholars. However before I take a conclusive decision I want to take your opinion about my personal case.

Considering if anything happen to either of us, in 2002 we took an insurance to cover (1) term life (2) terminal illness and(3) critical illness. They agreed to pay us a lump sum if any of the causes happened to either of us by the year 2026. Since then we are paying specified premium. We have children to look after who are still in their full time study.

Recently I have been diagnosed with critical illness and have had a major life changing operation. I have been prescribed with some medicine to continue for the remaining of my life span. Also , I have been kept in doctors observation as an out patient to see doctors almost once every week.

I contacted my insurance company and they have accepted my critical illness claim and willing to pay me full agreed amount.

Now I need your opinion/fatwa whether (according to Islam)we are allowed to accept agreed insurance money?

I look forward to hearing from you. May Allah give you long healthy life and give you best rearward for your service for the Muslim Ummah.

Best wishes,

Mr. Hossain

United Kingdom

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. Hossain

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

My opinion is that this contract is permissible in Shari'ah and the risk you were afraid of has actually materialized, this is an added evidence that such insurances are permissible in Shari'ah keeping in mind non-availability of Islamic insurance especially to this kind of coverage.

Accordinly I believe it is Halah to take the amount of insurance as contracted. Wa Allahu A'alam

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

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From: Wael

Sent: Friday, April 12, 2019

Subject: A question on mortgage insurance

Assalamu alaykum wa rahmatu Allah wa barakatuh

How are you doing Dr. Monzer? How is your respected family? I heard that you have moved to Istanbul; may Allah Almighty decree the best for you and your family, ameen.

I got a question from a sister, who is a widow taking care of 3 Kids, about "mortgage insurance". She is in the process of purchasing a house with mortgage; she has followed the fatwa of the ECFR, as I've been told. The sister is thinking about protecting her mortgage balance with insurance to help cover payments in the event of a critical illness, disability or death. She is afraid that if she fails to pay off the mortgage payments for reasons beyond her control, her family will be critically affected and the house could be taken by the bank.

What is your advice doctor?

jazakum Allah khayran

Imam Dr. Wael

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. Wael

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I apolojyze for the delay in my answer. I also pray to Allah that you and your family are in the best happiness, health and activities that please Allah with you.

Please temm the questioner the following:

The mortgage insurance with a conventional company is permissible as long as there is no Islamic insurance company in Canada. It rather may be advisable in case of this Muslimah as described. Wa Allahu A'alam

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

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From: Dr. Mohsen

Sent: Saturday, March 30, 2019

Subject: Saving Life Insurance

Dear Prof. Monzer,

As-salamu alaykum

Hope you and your family are fine.

Please take the time to answer this question:

Anoop Assalamu alaikum,

My bank offered me a life insurance investment plan where they say it is only in name and that the name life is to exempt it from tax. They say we have to invest annually for five years after which we can

withdraw partly or the whole amount. And after the maturity of 10 years we will get a profit of approximately 100%. We can opt for 100% Shariah Compliant profit. And in case of death the nominee gets 10 times the yearly premium amount. Can I go for this or is this halal? Jazak Allahu khayran

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. Anoop

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

How can a non-Islamic bank assure you that the profit is Halal? If the Bank is Islamic or at least has a Shari'ah board for this kind of transaction, yes, it becomes permissible, it can be saving combined Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@kahf.com; www.kahf.net; www.kahf.com/blog

From: Dr. Mohsen

Sent: Monday, March 18, 2019

Subject: About vehicle insurance

Dear Prof. Dr. Monzer,

As-salamu alaylum

Hope you are fine.

Please take the time to answer this question:

Assalamualaikum, my name is Muyeen and I am from India. My question is about the vehicle insurance policy.

In India, insurance is compulsory for every vehicle, from last 10 years me and my family is paying for the insurance, but we haven't claimed any amount yet, because there was no such incident for claim.

I want to know if I pay the insurance amount from my bank interest amount on one condition that in case of accident I will not take back the same amount, is it permissible in Islam?

Please provide me brief details. Thank you.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

No it is not permissible. Earned interest should only be given to poor and needy and cannot be used to relieve you from any payment that is your obligation, including insurance premiums or even interest due on you in another bank for another contract or another account. This is Haram money and it does not belong to you. We give to charity because being Haram characterizes the way it is earned not the money

itself. If it does not belong to you you must give it to charity because it is wrong to give it back to the bank as this becomes a help to the bank to make more Haram transactions.

On the other hand, when it is obligatory by governments, insurance becomes permissible to do because of the government forcefulness.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

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FATAWA INSURANCE 2018

From: Imran

Sent: Monday, December 24, 2018

Subject: Insurance

Asslamu Alaikum, Professor Kahf,

I have a question regarding insurance. I understand from your fatwas that you tend to follow the view of Shaikh Mustafa al Zarka, (i.e., that 'Gharar' in the insurance contract is remedied by the application of probability theory and overwhelming statistical knowledge) and that insurance contract is permissible as long as the insured product is halal and the contract does not contain a Riba clause.

However, it is sometimes said that the limitations of probability theory and statistical knowledge have been exposed during the financial meltdown of 2008. If that is so, would it imply that the 'Gharar' is in fact not remedied in the insurance contracts? In these circumstances, would you still subscribe to the view that Shaikh Mustafa Al Zarka's views regarding insurance are valid?

Wassalam

Imran

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. Imran

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

No Brother it does not mean that. Predictability of crises is different that predictability of numbers of incidences in normal society\universe. Statistics of insurance is being running for almost two centuries and they proved having high predictability power. Besides the nature of commercial insurance requires separation of the pool of insurance funds from that of the insurer, the relation of the latter to the insurer fund becomes only support when needed and reap surplus when it exists. I find no reason to change my view especially with lack of cooperative alternative and with the hijack of the Islamic insurance by the takaful operators which is more profiteering than commercial insurance because of the claimed firewall between the operator funds and the insurance fund. This firewall that make them practically reap the surplus at good times and do not bear the support at the bad times.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

www.Kahf.net; www.Kahf.com/blog

From: Imaam

Sent: Monday, November 19, 2018

Subject: Fwd.: Life insurance

Respected Dear Prof. Monzer,

As-Salamu `Alaykum Warahmatullahi Wabarakatuh.

I hope you are fine and enjoying the blessings of Allah SWT. It has been a while since we last communicated. If you are in North America around Christmas time or January, we would love to see you in Edmonton again.

Below is a question for your kind consideration.

Looking forward to receiving your reply at your earliest convenience.

Wassalam

Imam

----- Forwarded message -----

From: Musabbir

Assalamualaikum

My friend's wife, is offering to sell life insurance policy to another friend of mine who's a doctor. The doctor friend is not sure if life insurance is permissible in Islam. He feels obligated to support my other friend's wife, but also didn't want to get into something that's forbidden.

Please let me know the Islamic ruling in case of life insurance.

JazakAllah khairan

Musabbir

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. Musabbir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Insurance, life and other kinds, is a new contract that has no reference in the Qur'an and the Sunnah. But when studied by Shari'ah experts, most of them object to it on the ground of its aleatory nature which makes its outcome greatly deal of unknowable. Other scholars argue that it is a necessary and useful contract and the amount of its unknowability is contained by applying the probability theory methods. In other words, it is a controversial contract. This is not like Riba that is prohibited in the Qur'an and the Sunnah with very strong warnings.

Life insurance does not have any speculation on the Will of God as some people may think. It only provides some amount of money to the hires or close persons when the Will of God takes its sphere and the insured dies. It is like car, hazards and other insurances may be necessary for some people or at least very useful and it has no alternative that achieve similar objective. On that basis I go along with the view of its permissibility provided it does not contain, in the contractual relationship itself any interest. This applies to the kinds of life insurance contracts that are called term life or universal life. The Life insurance contract that offers a given amount of money after a number of years normally contains compounded interest for accumulating that amount. This interest makes this kind of insurance non-permissible.

I do not see anything Haram in buying the kinds of life insurance contracts that do not contain interest.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@Kahf.com, www.Kahf.net; www.Kahf.com/blog

From: Imaam Wael

Sent: Tuesday, November 6, 2018

Subject: Fwd.: Life insurance payment

Salaams Dr. Monzer

Hopefully, this message reaches you while you're in the best of your health and iman Dr. Monzer, and so are your family members!

May you kindly help me replying the below question?

Jazakum Allah khayran

Salaams

Imam Dr. Wael

Date: Sun, Nov 4, 2018 at 11:42 AM

Subject: Salaam

Dear imam Wael

Assalaam Alaykum Warahmatullah

I hope you are well

My sister has an important question

Her son died in 2017

May Allah grant him Jannatul Firdows

He had put my sister (his mom) as his beneficiary for his life insurance

She is wondering if that money is hers or whether it should be included in the inheritance

She said she was sure when he was alive he said clearly that that money is hers She is arguing that it should not be included in inheritance

Jazaakallahu khairan

Abubakar

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. Wael

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is always very nice to hear from you and I pray to Allah that you and your family are in excellent health and on the best of what pleases God.

Please inform the questioner that life insurance payment, when a named beneficiary is on the record of the insurance contract (policy), is not considered a part of the estate for inheritance according to Shari'ah. Such payment was not a property owned by the deceased. It becomes due to the beneficiary, not the deceased, just after the death of the insured. This is my opinion which is shared by many Shari'ah scholars. There is another opinion that considers it as part of the estate and then subjects it to inheritance. Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics
monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Dr. Mohsen

Sent: Saturday, November 3, 2018

Subject: Banks' interest and life insurance

Dear Prof. Monzer,
As-salamu alaykum
Hope you are fine.

Please take the time to answer this question.

Question: Bank Interest Money @ Life insurance

Ahmad

Assalamualaikum

- 1) Can Moslems use Bank Interest Money?
- 2) is Life Insurance permissible?

Know for certain that life and death is in Allah will. However, using life insurance is to make Provision for family in case of uneventful demise. It's like hadith below 

Rasool, pbuh, says tie your camel and trust in Allah

Similarly, we live insurance bus. like tying camel.

Jazakallah 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.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. Interest is Haram earning, whoever earns it must give it away to charity, it is not Haram to the poor because the haram character is in the way it is earned not in the cash that is earned.
2. The idea of life insurance is definitely as you said. It does not contradict the Will of God because it does not have anything to do with the incidence of death. It only provides an amount to the beneficiaries upon the death.

What is problematic in it is being based on an exchange contract between you and the company, you sell the risk against an amount you pay to the company. Risk is not a sellable material.

Islamic insurance is based on cooperation between all insured persons like a cooperative and applies same principle of tying the camel as you said.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: M. Shakeel

Sent: Wednesday, October 31, 2018

Subject: Question on life insurance

Assalamu Alaykum-

Is it permissible for a Muslim to be the beneficiary of his Christian sister's life insurance policy?

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. Shakeel

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes, it is permissible because the simplest meaning of it is: someone is giving you a gift through its agent, and this gift is payable by the agent only after the death of the giver, e.g., in a sense of Wasiyyah (but notice the exact meaning of wasiyyah has a religious content and conditions which do not apply to a non-Muslim).

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Dilawer

Sent: Wednesday, August 1, 2018

Subject: Re: universal life insurance

Dear Prof. Monzer,

Asalam Alekum

My name is Dilawer. I live in Canada.

I would like to know about the universal life insurance whether it is permissible or not permissible as per Islamic shari'ah. Thanks

Dilawer

My answer:

Please describe it as given to you by your insurance company. Each company has different features.

From: Dilawer

Asalam Alekum

The insurance provider is BMO and they provide me an illustration for universal life insurance which is also herewith attached. Thanks

Dilawer

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. Dilawer

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This kind of universal life is interest-based as it is apparent of its description on the first page. There are universal life policies that are based on investment in stocks' funds and give you the choice to select. In this kind if you make the wright choice of funds that minimize interest and other Haram, it may be OK with the application of purification principle for the remaining small Haram in such funds.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Dr. Mohsen

Sent: Monday, July 16, 2018

Subject: Compensation from insurance company

As-salamu alaykum dear Prof. Monzer,

Please take the time to answer this question:

Dear Shaikh

I was hit by a taxi two years ago, Had 3 surgeries and multiple fractures

My lawyer is trying to get me compensation from insurance company of the Taxi Driver Is this money Halal? Thank you Shaikh

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.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Compensation of injury is permissible in Shari'ah, it is either estimated in courts by a judge decision or by mutual agreement between the injured and the injurer. Of course in this case it is going to be between your lawyer and the agent of the injurer which is the insurance company. This matter has nothing to do with the issue of insurance because for you, the insurance company is simply an agent acting on behalf of the injurer.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

FATAWA INSURANCE TAKAFUL 2017

From: Sr.

Sent: Saturday, October 14, 2017

Subject: استفسار

Question:

الل او حرام لان اني عملتتاهين لحي life insurance اللم عليكم :ان السرك نفيلقندا اود اعرف هل تاهين على حياة
جيافس الانضميري غيرمرتاح احبالحي بسردت اتكد الذاتاهين على حاة حالل او حرام

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.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Life insurance is permissible to those who need it, if you do not need it you may cancel it. The issue is that all kinds of insurance are controversial. Some scholars argue that it is not permissible and others believe it is permissible. Accordingly if you think it is necessary to you, it is OK to take it or keep it since you already have it.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Douglas

Sent: Saturday, October 08, 2017

Subject: Questionable sharia compliant insurance policy

Question:

Asalam Alakium brother Monzer Khaf

I want to know if buying an Insurance policy (which the company claims is Shariah complaint) is Halal, or the Shariah certificate is not correct. Will it still be haram to invest in this?

Your assistance in the matter will highly be appreciated

Jazakallahu khyran

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. Douglas

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If the insurance company has its own Shari'ah board that you may know some at least and trust and this board confirms that its policies are permissible then there is no reason to doubt that.

Claims cannot be accepted without supportive evidence.

On other sphere, if you need insurance for a property or life and there is no Islamic available, you may take the conventional, just avoid any policy that contains interest.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Wael

Sent: Wednesday, October 04, 2017

Subject: Insurance related issues

Question:

As-sallamu alaykum wa rahmatu Allah wa barakatuh

Dearest Dr. Monzer, brother Mohammad ----- sends you the below question:

In the context of doing business in Canada and online | CONFIDENTIAL

I am planning to provide services in the IT industry, including project management, programming, and the like. One of my first clients requires me to sign a contract that has both an Insurance and Indemnity clauses as follows (name of company has been changed for confidentiality)

1. Indemnity:

"You further agree to indemnify, defend and hold ABC Company harmless from and against any and all claims, liabilities, damages, losses, expenses (including legal fees and disbursements on a substantial indemnity basis), fines or penalties (collectively, "Liabilities") asserted by any third party where such Liabilities arise out of or result from:

(a) any alleged violation by you of any applicable law, regulation, rule, code, order or standard that is imposed by any applicable federal, provincial or local government authority while providing the services under this Agreement;

(b) any dishonest, negligent or fraudulent act or omission committed by you while providing the services under this Agreement; or

(c) the breach of any representation or warranty made by you under this Agreement. For certainty, you further agree to indemnify, defend and hold ABC Company harmless from and against any and all claims, liabilities, damages or losses arising from the establishment or characterization of your relationship with ABC Company as an independent contractor."

These indemnity conditions are normal in contracting and reflect a general principle that is determined in Shari'ah (i.e., there is almost no difference between Shari'ah and other laws in this regard) which is any contractor is and should be responsible for all the results of his/her own actions and the other party should be protected by the contractors from any damaged

caused by the actions of the contractors. This is the meaning and implications of these indemnity conditions and they are permissible in Shari'ah.

2. **Insurance:** You understand that it is your responsibility to obtain and maintain appropriate insurance coverage during the Term of this agreement, including, without limitation, general liability and workers' compensation coverage, and you hereby agree to provide proof of such valid insurance coverage upon the commencement of the Term and at such other intervals as ABC Company may request, acting reasonably. For greater certainty, ABC Company has agreed to provide you with appropriate professional liability insurance coverage during the Term of this Agreement, and you specifically and expressly acknowledge that such coverage shall only apply to any work or services provided by you to ABC Company

Here is based on the same principle mentioned above. Sine one is responsible for own actions and own workers, and for abiding by the laws of the land one lives and act in it, one has to prove ability to undertake this responsibility. This is done normally by insurance. Hence if Islamic insurance is available, we take it but if it is not available we still have to take insurance to the extent that is necessary. After all insurance issue is not as decisive as the Riba issue. Riba is prohibited in the Qur'an while insurance is not and it is controversial among Shari'ah scholars because it is necessary, as in this case. So when Islamic insurance is not available, taking conventional insurance to the extent of need to remove any hardship become permissible.

Is it permissible to seek and purchase general liability insurance or workers compensation? And is it permissible to also purchase professional liability insurance for other client contracts (as it is covered in this contract?).

I would like to share the answer (but not the original question in full) with a Whatsapp group of entrepreneurs and professionals in Canada, US and UK, so if you can direct me to any quotable reference or an Answer that I can share that includes the full aspect, it will be amazing.

Jazaka Allah Khayran.

I will think about the other question and whether I still want to ask it, as it may not be related to fatwa but more to personal choice.

JAK.

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. Wael

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please inform our dear questioner of my Answer GIVEN above in red, sorry for the delay.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Yaman

Sent: Saturday, May 13, 2017

Subject: Cash-Value Life Insurance

Salam Baba, good speaking with you today.

I may have previously asked you about this but need to double check: Do you have any critique or cautions for what is called "cash-Value Life Insurance"?

Salam

Yaman

My Answer:

Please explain it to me more about it.

Best Regards

Dr. Monzer Kahf

From: Yaman

Cash value life insurance provides life-long insurance protection, provided premiums are paid. With few exceptions, once you have been approved for the coverage, your policy cannot be canceled by the carrier. Regardless of your health, the insurance will remain in force.

see more here:

<https://www.newyorklife.com/articles/term-or-permanent-life-insurance/> hope that helps.

Cash-value life insurance is a type of life insurance <<http://www.investopedia.com/terms/l/lifeinsurance.asp>> policy that pays out upon the policyholder's death, and also accumulates value during the policyholder's lifetime. The policyholder can use the cash value as a tax-sheltered investment (the interest and earnings on the policy are not taxable), as a fund from which to borrow and as a means to pay policy premiums <<http://www.investopedia.com/terms/p/premium.asp>> later in life, or they can pass it on to their heirs <<http://www.investopedia.com/terms/h/heir.asp>> .

Read more: Cash-Value Life Insurance <<http://www.investopedia.com/terms/c/cash-value-life-insurance.asp#ixzz4gz78ryDh>> <http://www.investopedia.com/terms/c/cash-value-life-insurance.asp#ixzz4gz78ryDh> <<http://www.investopedia.com/terms/c/cash-value-life-insurance.asp#ixzz4gz78ryDh>>

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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 Yman

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

These insurance guys keep inventing new names and do not give full explanation. Cash value life is just a new name. it may be permissible or not depending on wherefrom the cash value comes. If it comes from interest, the interest part is not permissible and the principal part is permissible.

One type of it is called universal life, this I like. The cash part comes from investment in stock funds. You may select funds that have least interest, add a purification clause to the use of the cash amount, when obtained and with these two things it may be OK. This is the one life insurance I make, although to make the premium cheaper we made it payable at the death of

the last to die, me or Mama. It can be done for each one alone but of course at higher premiums.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Shihab

Sent: Thursday, May 04, 2017

Subject: Permissibility of Universal Life policy

Dear Professor Kahf,

I have read your detailed explanations on fatwa on Insurance.

Before I ask my question, a little bit background. I am an immigrant in Canada. Back home I used to work in banking for a decade. Here in Canada, I have taken life insurance license and attached with a Financial Service Marketing company, which mainly sells Universal Life policy and Mutual Fund. It is purely commission based business. When I first started with the company, I wasn't aware that there are so many controversial issues with modern insurance policies. As you know, Universal Life is a hybrid product, which has both life insurance as well as investment component into it. A part of the premium that is paid by policy holder, goes to investment fund, which is invested (mostly in various mutual funds, which I can select as insurance advisor). The other part is off-course, providing life insurance coverage with a predetermined face value.

Now, my questions are:

1. Is it permissible to deal with Universal Life policy, given its life insurance component? My understanding is, life insurance policy is designed based on overwhelming statistical evidence. So, it is not so uncertain. Also, life insurance has overwhelming practical appeal among people. Most of the people (Muslims or non-Muslims alike) feel that they need a life insurance policy, to support their family financially, in case of death.
2. By law, insurance is a tax shelter. That is, part of the premium that is invested, grows within the shelter on tax free basis. Due to re-investment of the dividend money and compounding, money grows inside the tax sheltered fund much faster than in non-sheltered fund. So, from strategic point of view, it is absolutely rational that a person invest in insurance policy, to avail of the tax shelter.
3. We are living in western and non-Muslim society We have to abide by the local laws that are prevailing here. We do not have/very limited scope to buy Islamic financial products or expect Shari'ah-compliant products in here. So, what is the realistic solution?

I am requesting your expert advice in this regard. I am yet to take this profession on full-time basis, since I have some reservations about it. Will greatly appreciate your advice to make my decision.

Jazaka Allah Khayran.

Shihab

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. Shihab

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Insurance of all things, properties and life is controversial. Scholars who prohibit it use the argument of Gharar (unknowability leading to uncertainty of mutual obligation in an exchange relationship). Others use the point that you mentioned (it is controlled uncertainty). I mean to say that there is a strong view among most learned Shari'ah scholars that is permissible in general. This is even more when it becomes legally required as in car insurance or highly desired and important as in life, and comprehensive property including car insurance. It is more so for Muslims who live in the West especially in areas like the USA and Canada that do not have Islamic insurance.

The conditions among the learned scholars for accepting insurance are two: 1) the contract must not have interest, and 2) the object must be permissible. What is excluded is then regular life insurance whose face value is interest-based and insuring liquor or its likes.

Universal life is not Haram according to this view although one has to select funds that are farthest from interest and still apply the purification principle by estimating the percentage of Haram in the income of the selected fund (no funds in North America are purely Shari'ah-compliant).

The above means that while it is permissible to sell universal and term life insurance you are required to make your buyers of universal life aware of this Shari'ah requirement.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Susan

Sent: Friday, April 07, 2017

Subject: working in insurance

Assalamu Alaykum Dr Monzer

I hope this email finds you well.

I got my license to work as a life and health adviser agent and promoting for Universal Life /Term Life and funeral insurance to help families to become independent, strong not relying on each other or looking for mosque to cover their funeral cost.

Do I'm doing right or wrong?? Is this acceptable in Islam or not. Your clarification would be highly appreciated.

Regards

Susan

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. Susan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is unfortunate that Canada does not have yet any Islamic cooperative insurance and I really urge you and your colleagues to try to set a cooperative (mutual) insurance company which will solve the entire problem.

The problem with insurance company is not only the issue of the insurance contract that we accept it out of necessity but also and may be much more important in the behavior of the companies themselves in heavily dealing with interest on both sides of their balance sheets.

That said, I do not believe that your work in promoting universal (with advice to choose the least evil investment funds) and term life and funeral insurances is not permissible. It is rather permissible as these insurances are very useful or may be necessary for most of us who live in North America. BTW, why don't you go into property and car insurance, it may be more necessary especially for mosque and Islamic centers.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Susan

Thank you Dr Kahf for your detailed explanation but what took me to go with this road we had several families they lost their beloved and had no funeral coverage or benefit, people had to collect money or Mosque has to cover the cost which is so hard on people and Mosque as well , this took me to search about a suitable solution that help families to be not in need in critical situation. Also when you came to visit London and had your presentation at the Mosque I was there and I think I heard that you mentioned that mortgage for family need and Universal insurance are halal I hope I heard right. Looking forward to get valuable advice

Regards

Susan

My Answer:

Baraka Allahu Feekum, Dear Sister,

I remember you and your attention and questions then. These insurances with conventional insurance companies are permissible out of necessity. I agree with you on the necessity and the many examples we have of it. We still need to understand the grand picture. Islam calls for cooperation rather than commercialization in matters of risk bearing. This is why we need Islamic cooperative insurance organizations that do not deal with interest. For funeral insurance, the British tradition provides for cooperatives that offer it, why don't you work on establishing one, not only for Muslims alone but for neighborhoods in your area.

Best Regards

Dr. Monzer Kahf

From: raed

Sent: Thursday, March 02, 2017

Subject: Car Insurance

Assalamu Alaykum,

Is it permissible to take comprehensive car insurance over mandatory third party policy. Can I go with commercial insurance company or should I choose Islamic insurance. Is Islamic insurance really Islamic. Please throw some light into this issue.

Thanks and Regards

Raed

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. Raed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The issue of insurance is less problematic than interest. There are real needs for insurance in contemporary life and when Islamic cooperative insurance does not exist, conventional one becomes the only way to respond to these needs. Protecting your big investment is not a bad objective and doing it through insurance that is controversial not agreeably ruled out, is permissible if you feel that is important to you.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Imam Mosque

Sent: Monday, February 27, 2017

Subject: Life Insurance

Dear Prof. Monzer,

As-Salamu `Alaykum Wa Rahmatullah.

I hope you are fine.

I wonder if you could have some time to graciously answer the question below.

Baraka Allahu Feekum Ustadhna.

Imam Dr. Amin

----- Forwarded message -----

From: ISFANDYAR

Dear brother Amin,

My question is about the permissibility of Life Insurance in Islam.

Thank you

Isfandyar

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. Amin

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

As you know Insurance contracts, as offered on exchange basis by all insurance companies, are controversial on the ground of the unknowability (Gharar) inherent in it. most Shari'ah scholars believe that the level of unknowability in this exchange contract makes it not permissible. This applies to life insurance as well as other kinds of insurance alike with not a single difference. The notion that life insurance speculate on the will of God is incorrect as life insurance does not have anything to do with time of death or incapacitation.

The minority view is that the amount of Gharar in it is containable and it is a very useful contract.

The final thing is: all agree that when required by law and Islamic insurance (based on mutual cooperation) does not exist it is then permissible with no sin. Similarly when it is very important for the person or family as the case of health insurance in the US and Canada and for many life insurance itself is very important too.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Yazan

Sent: Monday, February 20, 2017

Subject: health and other insurances

Assalam Alaykum Dr. Monzer,

I hope this email finds you in the best state of Iman and health.

I have the following questions that I need your help with. I am opening a recruiting company in US and one of the business models I am considering is to hire people then sub-contract them.

In order for that business model to succeed, I could offer the following to employees:

Health Benefits (most needed, given that living in the US without health insurance is very risky)

Dental Converge, Vision, 401K, short-term disability, long-term disability, Life insurance, etc.

Are those permissible? If so, Are some of these benefits categorized as "Makrooh"

Are there any conditions?

Should I try to avoid paying for benefits that are not very critical (dental, vision...)

My understanding that life insurance is not OK, are there conditions that could make it permissible?

I would probably need commercial insurance? What is the ruling on that?

Any material that I could read to better understand this?

Thank you so much.

Yazan

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. Yazan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

All these issues are kinds of insurance except for 401K. insurance is controversial. For us in the US some of its kind are practically necessary such as health and some are obligatory such as car insurance. Others may be considered necessary on individual basis.

Whenever one considers it necessary or at least important for him/her, it is permissible. Theoretically all are controversial. Some scholars argue that insurance as offered by commercial companies is Haram and others argue it is permissible, I tend to lean to the second view. This covers life and all others.

It is always better to avoid what is controversial unless you think it is important for you. Life insurance is not Haram but it is like others.

401K is permissible provided you invest in permissible shares, no bonds and no non-permissible stocks.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: amr

Sent: Monday, February 13, 2017

Subject: Car Warranty

Assalamu Alaykum dear brother Kahf,

I have the following issue:

We live in Vienna, Austria. We are leasing a car. Our car came with 2 years of warranty from the manufacturer. We had some problems with it which were covered by the manufacturers warranty and repaired. I was worried about any problems that might occur after the warranty runs out and was told there is an option to extend the warranty to 5 years in total, so 3 more years.

However upon reading the materials, it is my understanding that the manufacturer offers a type of insurance package which includes the same terms and services as the warranty. It costs €1400 which can be paid monthly.

So I would like to know if this would be permissible?

Do you need any more details?

Thank you, Salam,

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

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes, this is a form of insurance whether it is given directly by the manufacturer or by any other. Even the first two year when it applies to other than mal-functions caused by mis-manufacturing.

Now is insurance Haram, majority yes when it is founded on exchange contract between a company and an insured. Minority no because it is necessary and very important in contemporary life and has nothing to violate Shari'ah... between them there is a long discussion...

In a few words, when one feels that it is important for him/her and if there is not Islamic insurance (called sometimes Tafakul) it is then permissible. I suggest that you should take insurance, I do in America because it is very important to protect one's property under the circumstance we live in.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Humayun

Sent: Saturday, February 04, 2017

Subject: Life Insurance Policies

Assalamu Alaykum Wa Rahmatu Allahi Wa Barakatuh, Dr. Kahf

Can you please elaborate on life Insurance policies and their permissibility in Islam? Which of the today's policies, if any, are allowed and which isn't ? Jazaka Allahu Khair.

Thanks,

Humayun

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. Humayun

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The problem with insurance is the unknowability of insured perils which result in unknowability of obligations of both parties. the Shari'ah alternative is to remove the idea of exchange from insurance and offer it on cooperative basis which is of course permissible. Hence we have Takaful companies that maintain a cooperative fund of insurance. This applies to life (which is called family insurance not life) and other types of insurance.

On the other hand, in countries that do not have Takaful, if one thinks that insurance is necessary for him, of any kind, life and otherwise, it becomes tolerable to take it. of course one should still avoid any prohibited thing in insurance and in other things. A life insurance contract that contains insurance becomes accordingly non-permissible even in America because there are other kinds of life insurance that do not contain interest.

According, term life insurance normally does not have interest, and universal life (that invests in share) of course provided you select stock mutual funds that contain the least of Haram and you apply the purification principle by giving away to charity the part you estimate to be the haram portion. Further whole life insurance that gives you the amount of the policy after a number of years is not permissible because this giving is based only on compound interest.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: rila
Sent: Saturday, January 28, 2017
Subject: LIFE INSURANCE PLAN under PROSPER by Amana Takaful
<http://www.dailymirror.lk/11581/amana-takaful-launches-prosper-sri-lankas-first-shariah-compliant-unit-liked-insurance-plan> <<http://www.dailymirror.lk/11581/amana-takaful-launches-prosper-sri-lankas-first-shariah-compliant-unit-liked-insurance-plan>>
Thanks and Salam
Rila

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 Rila
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I did not see the conditions of this Tafakul on the mentioned web in order to give a specific opinion. Generally Tafakul life insurance is permissible like other Tafakul insurances.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

FATAWA INSURANCE TAKAFUL 2016

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

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: 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: 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: Islam

Sent: Sun, May 15, 2016

To: Imam,Mosque

Subject: Life and disability insurance

لَسَّالْمَعْلُومَاتُ

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

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

لِسْ اَلْمَعْلُوْمِيْنَ

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: 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: 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

FATAWA INSURANCE TAKAFUL 2015

From: Mas'ud

Sent: Friday, November 06, 2015

Question: Health Insurance

Dear Professor Kahf,

Asssalam A'laikum 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

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: 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: 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: 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 an 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 is 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 h 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: 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

FATAWA INSURANCE TAKAFUL 2014

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: 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 uncertainty. 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 uncertainty 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: 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: 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

FATAWA INSURANCE TAKAFUL 2013

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: 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: 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: 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: 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: 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: 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: 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: 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: 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: 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://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

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

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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.

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My Answer:

Bismillah al Rahman al Rahim

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Best Regards,

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

FATAWA INSURANCE, TAKAFUL 2012

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: 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

FATAWA INSURANCE, TAKAFUL 2011

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 that 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: 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 overlooked 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 not have interest (some kinds of life insurance contracts have 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: 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: 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 veritably 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

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: 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: 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

FATAWA INSURANCE, TAKAFUL 2010

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 policies 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: 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: 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: Abdulbari

Sent: Saturday, September 04, 2010

Location: LEEDS, BRITIAN

Question: Deposit insurance

ألست اذل اذ لكور في ذرق حف فضطه الله
السلام علىكم ورحمة الله وبركاته
تقبل الله الصلوات منكم ودموعكم.

سددت بقرا عيش أن مؤسسه ضمان الودائع الربوية. ولدي سؤال على النحو التالي :

إذا كنت مؤسساً لضممان التوفير في استثماراتك المالية في شركة ويتبدد من المال في استثمار الودائع الربوية واليقتصر على الودائع تحت
الطلب في البن والودائع في أي حال في استثمار الودائع في شركة لودائع في أي حال في استثمار الودائع في شركة لودائع في أي حال في استثمار الودائع في شركة
م إذا عزز سس مال الودائع في استثمار الودائع في شركة لودائع في أي حال في استثمار الودائع في شركة لودائع في أي حال في استثمار الودائع في شركة
وال موجودات التوفير؟

نعمي يكون التأمين على الودائع المطبق في هذه المؤسسة فتجاري أوتجاري يكون تداولي؟ ببارق خرى هل يشر مال الودائع موجودات في
المؤسسة في الأصلين أي على التوفير إذا كان لجهة تجاري فموت داخلي وإذا كان من أجل مشاركتي ما موالتي في؟ وإذا كان على لئنيك
العركزي في ما موالتي في؟

سرحتاني فضلي في أفسير سيكم موالتي في
بعباري

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 their 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

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

Question: Health insurance

Aslamalaikum,
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: 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: 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: 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 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

FATAWA INSURANCE, TAKAFUL 2009

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: 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: 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: 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: 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. AAOIFI 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: 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

FATAWA INSURANCE, TAKAFUL 2008

FATAWA INSURANCE TAKAFUL 2007

Subject: Life and Disability insurance

From: Mamun

Sent: Thursday, December 27, 2007

Question

Brother Kahf: ASAK.

It is my understanding that separate accounts established under a variable insurance policy having non-interest bearing funds such as all stock mutual funds are permissible under the Shari'ah principle. Obviously, companies (originally) issuing the stocks need to be qualified, such as, no tobacco, pornography, gambling etc., and the capital structure cannot be leveraged more than 33 percent and so on. On the other hand, the policy holder does not have any control on the underlying assets on term life which may be invested in balanced funds (bonds and stocks) or otherwise. The question becomes how can we assure investments based on Shari'ah Principle under term-life policies when we don't have control over the investments? Typically insurance companies put \$3 of \$5 dollars in reserves for liquidity and they are retained in interest bearing accounts and corporate bonds for term-life insurances. One other question I have for you is though insurances are aleatory (unequal) contract. The cost of few are borne by the majority (the law of large numbers). Is it permissible in Islam? Isn't lottery Haram? If it is, can you please provide us with a reference from the holy book, Hadith or any other authoritative sources based on your research? This will enhance our understanding and I can quote such sources to my clients like brother Dr. Najeed. Best regards,

Mamun

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Mamun

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please notice the following:

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

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

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Life and disability insurance

From: Syed

Sent: Monday, December 24, 2007

Question

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

Syed

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. SYED

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You may remember that I must have said that insurance, all its kinds, is controversial. I believe in the view that considers it permissible with two conditions: 1) The insurance contract must not be based on interest which means that if interest is basic in the contracts the whole contract becomes in violation of Shari'ah; and 2) the object of insurance must be permissible which means that insuring any thing that is prohibited is not permissible and example is. Consequently, life and disability insurance is permissible if it's not interest-based. (insuring the incidence of disability or the incidence of death is permissible, of course insurance has nothing to do with whether the incidence happens or when it happens). Accordingly, term life is permissible. So is variable equity life with the conditions that 1) one selects investment funds that are least involved with Haram activities including interest; and 2) applies the purification principle by giving away to Muslim charity the percentage that one, educatedly, estimates as coming from such Haram activities.

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

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Working as Actuarial and insurance agent

From: Muhammed

Sent: Tuesday, October 02, 2007

Question

Assalam o Alaikum Mr. Kahf,

I hope inshAllah you are doing well. I wanted to ask you a few questions regarding working in insurance companies.

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

Muhammed

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Muhammed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

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

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Insuring to the benefit of others

From: Larbi

Sent: Wednesday, September 12, 2007

Question

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

1) I create a company offering life insurance for free to poor people that can't afford life insurance premium cost and once they died will leave nothing as heritage to their family (when i say they are poor it means that they have no property no asset to leave to their family, workers with rented houses, Thank you for helping me)

2) The company would go toward paying the premiums.

3) After the death the monies of each policy would be split three ways: - \$20,000 to the deceased person's family. -\$20,000 to charitable works -\$240,000 to the company

4) Sell the company to a fund or invest.

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

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Larbi

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1) Again, any poor person has something to bequeath. You may mean has no real estate, but they have cloth, utensils, furniture and may be an old car, etc.

2) If we assume that life insurance is permissible, do you think that such a plan is viable? Take America as an example. a life insurance that gives you \$ 280, 000 will cost you no less than \$ 900 per year for a young person. Will you be willing to pay that much, or will there be investor who will put that money for an estimated 40-50 year, and the yearly insurance rate is escalating as the person ages? Please tell those who suggested this idea to you: Do you think this is a viable investment? Besides, the charity doesn't need you nor this fake plan! Does it? Take it all to your self don't play with the emotions of loving charity! Add to it: would the poor today remain a poor forever? and remains under your accessibility that you will prove their death when they die? Would taking life insurance on other persons be limited by laws to very narrow cases to prevent possible crimes? Would such an investment fund hire killing gangs to increase its profit? If you think this is viable, try it for your children, they usually don't own real estates!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Larbi

Question

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

1) I didn't understand well your email and I am still confuse I'll try to explain myself Better here after 1) you are right the money will be an extra asset to cloth car etc. 2) Regarding the law and viability of the project its fine even with 40/50 years premium to pay.

2) Fake charity and playing with emotions: I am a businessman but I don't do business with alcohol, gambling or drugs. I have morality and this business of life insurance exists already as life settlement with people owning Life insurance. I am interested in this business as long as: there is win win with those people who cannot afford insurance premiums so its really not for me fake charity or playing with emotions And as long as the company is dealing with top funds that cannot hire killing gangs I beg you please to believe in my honesty and help me in taking a decision and to inform me if this business is halal Or haram . Thank you. Wassalam

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Larbi

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I did not at any moment doubt your honesty or even referred to it. What I said about those who suggested this to you is that they do not need to play with emotions by suggesting giving to charity. This giving does not legitimize or illegitimize the transaction. I know about the business of life insurance settlement for old people and I know that there are any (and much more than you imagine) law suits against them, very often they mix business with spam! It is good that you do not deal with alcohol as I of course expect you as a Muslim whom I address as a brother. I personally believe that life insurance is permissible if the contract is not interest-based. But my argument is based about the dire need for it in our modern life. I don't accept it to be a business for profiteering using the poor person who cannot afford buying it. I don't believe that such a business venture can ever be legitimized from Shari'ah point of view when you take it in its totality. Life and all its ventures are not win win! And there is always something smelly in any thing projected as win win.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Islam's Stance on Life and Car Insurance

From: through Islam on line

Sent: Thursday, August 30, 2007

Question

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

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Nauman

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

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

numbers. The Gharar is of course there because of the un-knowability of time of frequency and amount of obligations of the two parties.

5. The suggested solution is to create insurance providers that are not commercial companies. Hence, the idea of co-operative companies that is called Takaful came and also to found the contract as membership fees instead of premiums that represent a price paid by the insured.

6. The view for insurance contract is essentially as follows: It is a new contract that is beneficial, it is necessary in many circumstance of modern life, it does not violate any principle of Shari'ah, the Gharar that is in it is tolerable according to the Shari'ah rules (that in a necessary contract one overlooks the Gharar) and it is also contained by the fact that insurance only works for large numbers not for one insured alone. However if the insurance contract is permissible there must be conditions that may make it Haram for other reasons besides the contractual relationship itself. Hence, if an insurance contract is based on interest (as the case of whole life insurance contract) or if the object of insurance is prohibited (such as insuring a shipment of liquor) contracting insurance with any of these two matters becomes prohibited.

7. I tend to agree with the second view and argue that insurance, including life insurance has become almost an important necessity of our lives today. We still have to avoid any interest clause in its contract. Of course if a Takaful cooperative exist we better go for it, for instance it allows accommodating all views and it also gives us the additional advantage of investing its money (reserves and other funds) in accordance with Shari'ah.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Car Insurance

From: Wael and Asim

Sent: Monday, August 13, 2007

Question

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

Asim

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Wael, Br. Asim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

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

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam
Prof. Dr. Monzer Kahf

Subject: Islam's Stance on Health Insurance

From: Abdul Gafoor through Islam on line
Sent: Sunday, August 12, 2007

Question

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

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Abdul Ghafoor

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

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

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject; Permissibility of Insurance Policies

From: Ayesha
Sent: Sunday, July 22, 2007

Question

ASA,

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

Ayesha

My Answer:

Bismillah al Rahman al Rahim

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

Sr. Ayesha

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Insurance contracts with commercial companies are controversial. Some scholars believe they are permissible with conditions on the ground that they are new contracts that are beneficial. Others argue that they are not permissible because they include a great deal of ambiguity regarding the responsibility of the parties being dependent on the unknown.

The conditions required according to the first group of Scholars are:1) the contract must not be based on interest; and, 2) the object of insurance must be permissible in our religion. I stand with this group. Consequently, if insurance is not based on interest and if the object of insurance is permissible, the insurance contract with commercial companies is permissible. This means that car insurance, accident, hazards, employment, health, and term life (also some other kinds of life insurance that are interest-based) insurance are permissible. According to the second view one has to change the structure of insurance provider and the nature of premiums paid in order to make insurance provision on cooperative basis and premiums on donation basis to make insurance contracts permissible.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Permissibility of insurance

From: mason

Sent: Thursday, July 05, 2007

Question

assalamu alaikum Dr. Munzer,

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

Jazakum Allahu Khairan

Mason

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Mason

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

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

investment funds but all of them still invest in some non-permissible stocks, with a good choice of funds, this margin of Haram can be reduced to a minimum.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Life Insurance

From: Miguel through Islam on line

Sent: Monday, May 28, 2007

Question

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

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Miguel

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

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

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Accident and income protection insurance

From: Hossam through Islam on line

Sent: Monday, May 07, 2007

Question

Dear brothers, salamo alykoun

I have two related questions please:

I live in New Zealand

First one is about ""income protection insurance"". This kind of insurance covers you in case of illness or disease that stops you from working permanently. it provides 80% of your lost income until age 65. In

new Zealand there is a social welfare system that provides support for people with no income for sickness or unemployment etc. they provide bare minimum finances.

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

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

I would really appreciate your advice, jazakum Allah khyra

Hossam

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Hossam,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Query on mutual funds and life insurance policies

From: Thahir through Islam on line

Sent: Monday, April 30, 2007

Question

Dearest Dr., As-salamu alaykum

I hope you are well and enjoy the blessings of Allah.

I want to know whether the "Mutual funds" and "Life Insurance policies" in India are forbidden in Islam or not. Thanks in advance,

Thahir

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Wael

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

We have discussed this issue of insurance many times. In India it is more necessary for Muslims and Mosques than in other other areas because of the communal riots. We've always argued that insurance,

of all kinds, is permissible provided we avoid interest in the contract and that only one kind of life insurance (the whole life) is based on interest. Other insurances including life, cars, accidents, hazards and shipping all not based on interest.

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Is life insurance benefit an inheritance or not?

From: Mokhtar

Sent: Friday, April 13, 2007

Question

Assalamu Alaikum Dr Monzer,

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

Best regards,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mokhtar

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Life insurance

From: Azdin through Islam on line

Sent: Wednesday, April 11, 2007

Question

Assalamu alaikum, Jazakmu Allahu khaira for your help and support. Following with our case, reference number B97EQp, the building saving contract is coming to an end and my wife will get back an amount of money. She will get rid inshaAllah from the interest side as mentioned earlier. The question now is about the zakat. This account has been alive for five years, does she have to pay the zakat for each year? Or just for the final sum?... Almost same question on the insurance part, my wife wants to cancel it though she will loose the amount that it has been sent for two years. May Allah accept from her. Is she

obliged to pay zakat for the amount that was sent the last two years? If yes, how? Knowing that each month an X amount was paid. Knowing that all these money has been paid by her father. May Allah accept from you! Wassalam

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

Question

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

Previous Answer of Monzer Kahf

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Dear questioner, we would like to thank you for the great confidence you place in us, and we implore Allah Almighty to help us serve His cause and render our work for His Sake.

In his response to your question, Dr. Monzer Kahf, a prominent economist and counselor states:

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

1. Just as you said, the interest the bank gives on this saving account is Riba and it is Haram because it is her account and a Muslim must not earn any Riba. What you do with it, give it to a Muslim charity to be spent on the poor and needy, it is not Haram for them because of their need. (If the account is in her father's name and at any future point of time he gave her a gift, say the total money in such an account, we don't go into what details it consists of, and she can take the gift of her father without asking him about the source as long as it is legal according to the prevailing law in his land).

2. The government subsidy is HALAL, it is permissible because it is given according to law. Any government may give some one some amount of money, as long as it is not a bribe or not to tame an action that hurt others like retention that is done by American CIA, that giving is permissible and accepting it is also permissible in Shari'ah. That is you can use this government subsidy for any purpose, of course within the law.

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

Allah Almighty knows best.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Azdin

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Zakah is due on every rich Muslim, female or male, major or minor every year on all the wealth she/he owns including savings and debts on other persons. If the building saving account is in your wife's name, she is required to pay Zakah on its total balance, minus the amount of accumulated interest, effective from the day a lunar year (354 days) is completed on either the date when she became Muslim if the amount of this saving was then equal to Nisab (approximately US\$ 1000) or the date when she owned this amount for the first time. The rate is 2.5% and this is a yearly obligation, i.e., it must be repeated every year. Normally delaying Zakah payment, with no valid excuse, from its due date (the 354th day) is sinful but in this case there is no sin because she is not required to make payment for any year from other resources and she can delay payment until she liquidates the Zakatable asset itself, in this case the Building Saving and pay the due Zakah on past years together. Obligated Zakah for all past years becomes due upon liquidation. Of course you can make an educated estimation for every past year and add may be add a few extra dollars to be on the safe side of the estimation.

2. As you rightly said, interest accumulated over all past year, SINCE SHE BECAME MUSLIM, must all be given to the poor and needy or to Muslim charitable organization in order to keep her own money pure and clean. This is why this amount is not subject to Zakah, it is not considered her money and it is wrong to return it to the bank that paid it because of its interest practice, you then give it away to the poor for whom it become Halal. The same thing applies to interest accruing to life insurance.

3. The government contribution into the building saving is Halal, it is a government grant by law we deserve it by law because we are a part of the society and tax payers.

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Term life and medical insurance

From: tariq

Sent: Friday, February 23, 2007

Question

Dear Brother Monzer, Asalamualikum:

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

1. What are Shari'ah rulings on living in a house on lease basis. I have heard various people stating that this is not permissible in Islam since the lease amount is returned to the tenant on expiry of the lease period and the landlord does not get any money for leasing his house since there is no monthly rental.

2. Is it allowed to take a Term Insurance policy, i. e., against a certain amount of premium, a person's life is covered for an 'X' amount which is paid to his family in case of death of the policy holder. No amount is paid otherwise.

I have read your opinion on life insurance which says that it is permissible as long as there is no element of Riba involved. My other doubt regarding any kind of insurance stems from the fact that it looks like a case of lottery where money from various people is pooled and is paid to someone who faces a certain situation like accident death etc. How is it Halal since his contribution is less than what he actually gets?

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

Wasalam

Tariq, India.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Tariq

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: life insurance

From: MIMI

Sent: Monday, February 19, 2007

Question

Assalamo Aikom: Dr. Kahf.

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

Your answer very much appreciated.

Wasalamo Alikom.

MIMI

My Answer

Dear Sr. Mimi

Assalamu Alaikum wa Rahmatullahi wa Barakatuh

I need you to tell me what are the main features of the policy, please, so I can tell whether it is ok or not.

Next time ask the question before you make the contract, please sister, not after it

Best Regards,

Wassalam,

Monzer Kahf

From: MIMI

Question

Assalamo Alikom Dr. Kahf:

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

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

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

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

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

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

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

Take care,”

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Mimi

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: selling insurance policies

From: elsayed

Sent: Thursday, June 28, 2007

Question

Dear Dr Kahf: AA

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

Elsayed

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. elsayed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Of course selling prohibited product is not permissible. Let apply this on insurance products. There is an opinion that looks at all insurance as prohibited on the ground that as an exchange contract between the company and an individual this is a contract that contains a great deal of Gharar (ambiguity-cum-uncertainty). The rule is that a great deal of Gharar makes a contract void and null.

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

Consequently selling permissible insurance contracts is permissible while selling insurance contracts that are interest-based or if the subject of the insurance contract is not permissible (e.g., insuring a liquor store) is not permissible.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: elsayed

Sent: Tuesday, July 03, 2007 7:31 AM

To: Monzer Kahf

Question

Dear Dr. Kahf: Assalamo alaykum:

At the outset, I want to thank you for getting back to us in a reasonable time. Second, that person is going to sell accident and health products which are okay as we understood. But he is also going to sell life insurance. He does not know if these sales involve interest-based notion or not. This is an area he is asking about. Can he go ahead with life insurance products sales regardless without asking about their base or no?

Another thing, heard about the permissibility of buying life insurance with the intention of treating it as an investment. At the end of specific term, you can or the heirs take the policy \$ figure back. Is this applicable? Thank you!

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Elsayed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

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

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

FATAWA INSURANCE TAKAFUL 2006

Subject: Paying Car Insurance by Monthly Installments

From: Syed through Islam online

Sent: Thursday, November 30, 2006

Question

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

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

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

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Syed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

If you cannot contract the insurance company as suggested from the time you ask for the service, make your intention when you buy the service that you are taking it for installment price; this means that you discard the cash part of the bill when it comes because it does not represent what you wanted to contract with the company. This makes it permissible to pay the higher price.

On the other hand accepting the sale of the insurance service on either a cash price or an installment price means that you must choose only the cash price and any increment in the installment price becomes a forbidden interest, an increment in the debt (the cash price that becomes a debt on you the moment you contract purchasing the service).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Life Insurance Policy

From: Haris through Islam online

Sent: Wednesday, November 15, 2006

Question

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

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

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi a Ashabihi Ajma'in

Dear Br. Haris,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

Solution now:

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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

From: Ali through Islam online

Sent: Thursday, December 14, 2006

Question

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

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

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ali

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

Subject: ISLAM AND INSURANCE

From: shabbir
Sent: Friday, October 06, 2006

Question

Dear Bro. Monzer, As-Salaam-Aleikum,

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

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

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

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

Your favorable response will be greatly appreciated. Jazaak-Allah

Your brother in Islam

Shabbir

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Shabbir,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Insurance is controversial, I stand with the opinion that it is permissible provided the contract is not interest-based and the subject of insurance is permissible (e.g., whole life insurance is normally interest-based and insuring a liquor shipment is not permissible).

2. Your Zakah question is not clear. Long term debts are not deductible from Zakatable assets when you calculate Zakah. If the 10000 debt of last year is the same of this year, you should have not deducted it last year. Now you need to recalculate last year's Zakah accordingly and pay the difference and make this year on the same basis. A debt that is deductible must be one that is going to be paid in the future (i.e., after the day of calculation) but out of the existing assets on the day of calculation. Debts that are payable out of future revenues/incomes such as mortgage debts are not deductible. On the other hand, if the debt of last year was paid then a new debt arises that is going to be paid out of the 40000 you have for this year, then what you've done last year is correct and you can deduct the present debt if it is going to be paid out of this 40000.

3. Conventional mortgage is not permissible if Islamic financing is available to you. If Islamic financing is not available and you need to buy a residence and you don't have the amount readily available you may then resort to conventional mortgage and then you make your effort to pay it ASAP.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Investments of Insurance Companies and Market Linked Life Insurance

From: imran

Sent: Tuesday, October 03, 2006

Question

Asslam.....Dear Dr Kahf

I got your email ID from your website, Sir i am from india working in a Life Insurance company as a Training Manager. I came cross your website thru google search. I have few queries on insurance investment in islam as per little understanding of what i have on islam "" Islam Prohibites Ribba i.e Interest "" Generally the funds of insurance company which is pooled by policy holder by way of premium are invested in Debt Instrument which attracts interest i.e ribba (Prohibited in Islam)

- a) what is islamic view point on the investment done by insurnace company is it compatable with islam?
- b) is market linked insurance allowed from islamic point of view ?

I hope to get a speed reply from you. Thanking you Allah Hafiz

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Imran,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Imran

Question

Assalaam alakum..... Dear Dr Kahf

Thanks for a speedy reply

Sir, in your mail(Below) you have said that insurance is permissible provided the object of insurance is permissible Can u throw light on this specific sentence (what is the subject matter of insurance in Islam) Secondly investment in non conventional plans are also in equities ,if it is equities can insurance be halal form Islamic perspective , where in there is no question of Ribba or interest.

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

Imran

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Imran,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Your queries are intelligent, MaShaAllah. The subject matter of insurance is risk distribution, this is a descriptive statement, it is not value loaded, therefore it can't be said this is in Islam or in any other system. I meant by object of the insurance ""what is insured."" Insuring a shipment of liquor is not permissible because transporting liquor is, like its production and consumption, prohibited.
2. As I mentioned earlier, insurance contract between two parties, insured and insurer, is controversial. My view: It is Halal with the two conditions. This means, yes, equity-based life insurance is permissible, so is term life. Part of the whole life insurance is Haram, the part that gives a lump sum after a given period of time if the insured does not die because it is interest based.
3. In equity based life insurance and in equity investment at large we need to note the issue of the permissibility of owning a given stock, e.g., owning stocks of a company whose main line of business is not permissible is also not permissible.
4. Social security is a new system as it is contribution-based. That did not exist in the Islamic Fiqh, it is a new invention. Zakah is a social security system that is not based on contribution, it is unprecedented in all other system because of its institutionalized continuity and systemic approach to charity. Social security system is of course a good invention and it is permissible in Shari'ah. Of course you don't expect the Qur'an to mention it!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

From: Imran

Question

As salaam alakium, Dear Sir,

I have some more queries, hope don't mind answering those as well, I totally agree with you on whole life plan, endowment etc where in there is element of ribba involved But still a slight clarification required pertaining to market linked insurance where in investment are done in equities since in such instrument a small part of the investment goes in to financial sector Such as banks and housing finance, around 3 to 4 % is it permissible according to you? We in India don't have any Takaful instruments And you said in your mail that term plan according to you is permissible but to my knowledge the premium collected is also invested in debt instrument, the lump sum amount is paid on death and not on maturity (end of the term) the lump sum amount may be contain some part of interest? What do you have to say on that? thanking you Warm Regards

Imran

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Imran

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. You know in principle one is supposed to avoid any Haram, little or big. When one needs to take life insurance, equity variable is ok because it is not interest based, but still the company invest part of it

in Haram areas, this must be taken care of as follows: select the funds that have least of the Haram stocks and other investment, AND apply the purification principle.

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Imran

Question

As-salaam, Dear Sir,

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

Imran

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br Imran

Assalamu Alaikum wa Rahmatullahi wa Barakatuh and Eid Mubarak

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

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

1. Through permissible contractual relations: this becomes one's property to enjoy
2. By law such are in inheritance or government grants, also one's property to enjoy
3. By one's work with natural resources not owned by others such as getting wood from the forest, also one's
4. By criminal act or shameful act that does not fall under the law (of Shari'ah or the land) such as stealing for the first and completely covered up cheating for the other, this must be returned to their right owners and the action one did in obtaining them is sinful
5. Lost and found property, in your hand until you find the proper owner, no sin in keeping it until then if a reasonable effort is made to find the true owner.
6. As a price of shameful/prohibited service, if the service is already given to the payer (e.g., payment received by a prostitute): this does not become owned by the recipient but must not be returned to payer because he/she got what he paid for: this must be given to Muslim charity as purification
7. As payment not justified but permissible in the law and given by a practitioner such as interest given by banks: you do not return it and give it to Muslim charity to keep your properties clean from this Haram. If it is paid by a non practitioner, since the contract is Haram and does not transfer

ownership, it remains owned by the payer and must be returned to the payer. The difference is that a practitioner would be benefiting twice, the loan and the interest and it will repeat its action with others, by returning it you will be helping it do more of the evil transactions. But a non-practitioner is not like that.

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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

From: Roshisham through Islam online

Sent: Tuesday, September 05, 2006

Question

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

Is there any opinion that the money paid to a beneficiary under a death benefit of an insurance/takaful policy does fall under the faraid distribution on the view that the money does not belong to the insured?

We can't do a hibah on death benefit but can we do a hibah on an investment/ saving attached to an insurance policy such as a unit trust account? Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Roshisham,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Workers Insurance and Compensation

From: Wael through Islam on line

Sent: Wednesday, August 23, 2006

Question

السلام عليكم ورحمة الله وبركاته
فضيلتُكُم في ذلكم في ذوق حزن سأل الله عنكم وبصحة جيدة وسحس حال قُرب من اشتعالى ،وسلاين ال سرلكريمه ..
لحين المتشارة نود مفضي لتكم التكرم بالرد علي ها ألن ه لتوبطم تكمل تيتت درض ل ها 700 موظف باحدى ل شرك اتبم صرر .. ال متشارة
هي ك هلي (بنود مفضي لتكم الرب ال غة لدي تيشرك ل متا ل صر ل لتك رتتم ..)
شركة مصرية ي دمل بها 700 موظف، و ممن موبون يوزعون في بيوت ينفقات على ل نازل ، و ممن تمي تطلب عمل م التقل يعر
ل ماصلات ال متخفة ي و هلال قيا م هم عمل م .. و تدرض ثلثان من مؤال ل موظفين ل حوادث و دتت م م ، و ممن جت ال متفخ ل م
ال شرك ش ي تديض س خنفي ال عبا س رل شرك م شتت ك في التا هينات ال اجم م ..
ق ا متل شرك م مؤ خيال ل ج و ال عس حدى شرك ات التا هين ل ق د ق و ت ا هين على ال عي ال ج م ل لوظفين تيق و الم شرك تيف عمل ك أ س ا ط
التا هيني ل لوظفين ، و ج ل ت ل شرك التا هين ا ر ي م نى من ال ي ي د التا هين ل ن ت صر ه الشرك ع على ذلك ، ل و ك ن على ال ج ل ب ال خ ر ل ن
تت م ليس ي تديض اتفي حلة ق و ع حوادث — لاقدر الله .
يضا ف ال ي ذل ك ن التا هين ل ق د م ع شرك التا هين ل و ن شرك ل ف ر د ي ب م ن س ن ا ف ر ا د م ال ف ي ن س ر ي ق و ن ال ق و د و ل ع ي س ل ش ر ك ة ..
ف م س ي الإسلام ي ذل ك ؟
بارك الله فيكم
وطئ

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Wael
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Please see the Arabic below.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

ألخ و طئ ل تدرفسن بلع ال ديي صر بة علي ...
فك ع د ق ق ا ط :
1. س ن ال مسر و ل ي ت ل ق ص ر ية ع ن ال ح و ا د ث الت ق ع ع ل ل ش ر ك ت ب ل ت ق ع ل و ال ج ل ي ف ال ت د ي ض ل ي س ع ل ل ش ر ك ة و ل و ك ا ن ل ا ح ا د ث س ن ا ء
ق و ت ال د م ل ب ل م و ع ل ل ل ت س ب ب ال ف ا ء . ه ذا م و ل م س . . .
2. ه ي س ن ت ق ي م ن ذ ل ك ح ا ت ا ن : ا ذ ا ن ص ل ا ن و ن ع ل ل و ج و ب ت د ي ض ع ل ل ش ر ك ت ف ي ح ا ل ا ت ال ح و ا د ث س و ا ذ ا ن ص ع ل ل ذ ل ك ع ق د ال د م ل
ال ج م ا ع ي ه ال ف ر د ي .
3. ا ن الت د ي ض ال ذ ي ت د ف د ش ر ك ة التا هين - ع ر د التا هين ك م ا ذ ك ر ت ف ي س ال ت ك - ل ي س ف ي ح ق ق ت م ا ه ي ن ال س ب ق ل د ا م ل ! ه ب ق ط ن و ع م ن
ه ب ل ع ال د م ل ال ج ل ي ق ي ج و ن س خ ذ ه ل ا ن ش ر ك ة التا هين ت د ف د ه ي ه ب ة ع ن ر ب ال د م ل ا م ن ف ي ذ ل ك ل ا ن و ن س و ال ق د و ا م ن ب ن ب ع ر ع م ن ر ب ال د م ل
ب ل ع ب ا ر ه ه ب ة ع ل م م ص ف ل ء ل م م ت ب س و ا ف ي ذ ل ك ل ا ب ي ح و ن س و ال ح م و ر ل ك ا ه ي ر ل ك ج ا ر ي .
4. و ا ض ح م ن التا هين ال ذ ي ت ق و ج ه ال ش ر ك ة ل ه ذ ل م س ر و ل و ل ية ل ل ت ب ة ع ل ي ه ا ج ل ز ا ذ ا ك ا ن ل د ي ش ر ك ت ا ه ي ن ب ل ل ا ه ي ق م ا ا ذ ا ك ا ن ل د ي ش ر ك ة
ت ج ا ر ية ع ا ر ي ه م و ع ل ل ل خ ل ا ف ال م د ر و ف ع ي ن ل ا ب ي ح م ن و ل م ح ر ي ف س ن ا م ن ي ر و ن ال ا ه ا ء .
5. م ن ت ق و ع ل د ا م ل ع ل ل ال ق د م ع ل ل ش ر ك ة الش ي ع ي ه ع ر د ي ، و ه ي ع ي س ر ي ك و ن ذ ل ك م ن ي ع ر د م ن ي ح ر م التا هين ت ل ق ل ي د ي ا ن ن ه ل ي س ع ر د
ب م ا د ل ء م ح ي ت ا ن ال د ا م ل ال ه ي ن ت ج م ف ع ا ل س ا ط ك م ف م م ت م ن ر س ال ت ك ب س م ا ا ذ ا ك ل ت ل ه م ش ا ر ك ة ل و ج ه ي ت ب ف ع ل ق س ط ا ل ت ا ه ي ن ي م و
ع ل ل خ ل ا ف ال م ن ك و ر ف ي 4 . ا ذ ا ل ت ك ن ل ل د ا م ل م س ا م ت ب ف ع ا ل س ا ط ك م ف و ي د ه ع ل ل ال ق د ل ا ي ح م ل س و ي م ن ت ب ل ل ا ف ت ح و ل ال ش ر ك ة
التا هين ك و ل ك ل ع ن ر ب ال د م ل ف ي ف ع ال ش ر ك ل ق
ف ن ذ ر ق ح ف

Subject: Fatwa on Car Insurance

From: Mauroof through Islam online

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

Question

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

In the country I am currently residing for a few months, it is optional to take car insurance (to cover any damage to my car or another car in case of an accident). But health cover insurance for any accident while driving is compulsory. Since I never wanted to get involved in any sort of insurance as it is Haram I did not take the optional insurance for damage. But then I had an accident and I hit my car to a power post owned by the state government. After few days they sent me a bill with very much exaggerated figures for the amount I needed to pay, as they assumed I would pass on the bill to the insurance company. And since I was not insured I had to pay by myself. I arranged to pay via installments and currently I am paying it. I know I am charged unfairly (because for example they said it took them 72 hours to fix it and I was charged for that, but in fact I went to the site of the accident the next day and it was all fixed and there was no sign of the damage and I have witnesses). MY QUESTION IS DO I STILL HAVE TO PAY THAT AMOUNT THEY QUOTED? I can't afford a lawyer to dispute this. But I can get away without paying by leaving the country. PLS advise me as soon as possible as due to some unforeseen circumstances I have to very soon leave this country for good. Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mauroof

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Employer-provided life insurance

From: Mazen

Sent: Tuesday, April 18, 2006

Question

Dear Dr. Kahf, Assalamu Alykum.

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

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

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

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

regards,

mazen

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mazen

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

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

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: A question about home insurance

From: Mazen

Sent: Sunday, April 16, 2006

Question

Aslamu alykum,

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

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

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

mazen

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mazen

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Mazen

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

Question

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

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

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

jazk allah khair. regards,

mazen

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. mazen

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The money you got is ok because it is compensation payment according to the insurance contract. Home insurance and car insurance don't include any interest in them. Whatever the company does with its assets, investment and other customer is all immaterial to your own contract with it. What matters is that the contract between you and the company must not be interest-based. This condition is satisfied in home and car insurances. It is none of your business what does the company do otherwise.

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

-Subject: life insurance

From: Aryn
Sent: Monday, February 20, 2006

Question

Assalamu Alaykum Wa Rahmatullah wa Barakatuh

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

Aryn

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Aryn

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Receiving Pension Insurance Upon Retirement

From: Lutfi through Islam on line

Sent: Sunday, February 19, 2006

Question

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

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

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Lutfi

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Islam's Stance on Auto Insurance

From: Abdul through Islam online

Sent: Sunday, January 15, 2006

Question

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

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

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Abdul

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Insurance is not Haram in Shari'ah. It is a new contract invented in the West and Muslim scholars discusses it. SOME ARGUE THAT IT IS HARAM AND SOME ARGUE THAT IT IS PERMISSIBLE OR NOT HARAM. I adopt the view that it is permissible regardless of whether it is required by law or not. This means that not only liability insurance for cars is permissible but also comprehensive and other kinds of insurance are also permissible. The leader of this view was the late Shaikh Mustafa al Zarka who was most renowned among Shari'ah scholars of the last quarter of the last century (died in 1999). The lat

Maududi also belongs to this school. The argument against insurance does not realize the importance and great effect on this contract in an economy that has mass movement of machines (cars, planes, etc.) and intensive interrelations in products and that lost the tribal bonds on which the old system of 'Aqilah was based.

INSURANCE IS NECESSITY OF CONTEMPORARY SOCIETIES. Therefore the amount of Gharar that in casts is tolerable especially that it does not lead to dispute but rather reduces disputes and litigations. If you accept this view the question becomes irrelevant and you can take insurance that covers your liability and your assets too.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA INSURANCE TAKAFUL 2005

SUBJECT: Selling term life insurance

From: Shah from Canada

Sent: Monday, October 24, 2005

Question

Dear Dr. Kahf,

Assalam Alaikum. I understand that you are one of the world's foremost experts in the field of Islamic Economics & Finance.

Sir, I would like to ask you your opinion about whether it is okay from an Islamic perspective for a Muslim to join a company which exists in the U.S. and Canada called Primerica offering the following three products:

1. Term life insurance, strictly fixed term life, with no cash value or growth component, and diverting clients away from their existing whole life and universal life policies with other companies (which might have an interest component in them).
2. Mutual funds, those with no interest element, only dividends and capital gains.
3. Loan consolidation, i.e. reducing the loan debt for clients by minimizing the interest rate and payment, reducing their dependence on interest through debt management and credit counselling and helping them to get out of the interest trap as soon as possible.

In all of the above products lines, there is an element of client education whereby they are advised about avoiding interest-related products.

Thanking you in advance,

Yours truly,

Shah

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Shah,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The first two kinds of offering are permissible and it is permissible for a Muslim to offer them to other people.

Consolidating debts and rewriting them has two kinds of problems: 1) you must not write an interest-based contract even when it is in replacement of one that has higher interest because the Prophet, pbuh, mentioned it in specific ""the Wrath of God is on the taker of interest, its giver, its writer and its two witnesses,"" in a more detailed but still correct narration he added ""they are all the same."" 2) the second problem is that this is very often a way to encourage the beneficiary to go again into credit card and other debts. However, advising a person on the same and getting her/him quotes and rates, etc. is not Haram while letting her/him write the application for consolidation and new interest-based agreement

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Distribution of retirement lump sum benefit upon death

From: Islam on line

Sent: Thursday, October 20, 2005

Name Nadia country Netherlands

Question

Dear scholars, As-Salamu `alaykum.

A few months ago my brother-in-law passed away (Allah yarhamoe). Before his death he gave money to my sister. He was also expecting money from his retirement and told my sister this money is meant for her. This money came in after his death. My sister is now wondering if the money she got before and after her husband's death doesn't belong to the inheritance and should be subdivided on their children en the children from his first marriage. It is not clear if my brother-in-law knew at the moment he was dying from cancer, he probably did. Please, could you help my sister to act fairly and lawful?

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

a sick person's gift during the year preceding his/her death in not valid with regard to heirs and the heirs can ask for its reverse. This means that money given to your sister during this period should be distributed to heirs according to the Shari'ah rules (after payments of any debts expenses and any Wasiyyah, wife or wives 1/8, parents 1/6 each, the rest to all children of the deceased on the basis of 2 shares to a male and one share to a female).

For retirement money, it depends: if it is a fund that accumulates past savings, with or without employer's contributions, it must go also for distribution to heirs as mentioned above. If the

retirement money is of the insurance kind that is the deceased did not own it while alive, where an amount is due and payable only by reason of death, this money belongs to the beneficiary who does not have to be the heirs of any of them. In other words, if it is this kind of money your sister can take it for herself and need not be distributed to heirs.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Maintenance insurance

Sent: Monday, October 03, 2005

From: Tarig

Question

Car Breakdown Insurance Some companies in Europe - like the AA and RAC in UK - provide a service of maintaining their members' cars in case of breakdown or pulling it to the nearest garage plus taking their member and his family to his house or the nearest hotel. To join this service you pay a certain amount of money that you may not use if you did not need their service. I.e. just like car insurance. The importance of this service for us as Muslim community in Europe is that it is really dangerous if your car breakdown on a motorway, as you and your family can face any crime. My question is, Can I join this service to feel safe when driving between cities? And if so, should my membership be limited to the service that provide the needed safety ONLY, or it might go beyond to more options, for example, maintaining my car in front of my house if it did not start in the morning?

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Tarig,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Associations that provide their members with services that are not always financial, such as help find a good insurance and car dealer, a magazine, maps and road guidance, help on the road like securing gas if you run out of gas, changing flat tires and batteries, and also give certain services that have financial prices such as towing and repairs are essentially cooperative organizations, non-for profit that help their members. This is the basic difference between them and insurance although incidentally some of their activities are insurance like. These are permissible on the basis of cooperation and membership.

Remember that the Islamic insurance is based on the same concept especially when you consider the premium as a donation to the association. This idea is what makes it permissible according to those who argue that commercial insurance offered by profit making companies is not permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,
Dr. Monzer Kahf

-Subject: Question on Maintenance insurance

From: Amjed

Sent: Monday, October 03, 2005

Question

Car Breakdown Insurance Some companies in Europe - like the AA and RAC in UK - provide a service of maintaining their members cars in case of breakdown or pulling it to the nearest garage plus taking their member and his family to his house or the nearest hotel. To join this service you pay a certain amount of money that you may not use if you did not need their service. i.e. just like car insurance. The importance of this service for us as Muslim community in Europe is that it is really dangerous if your car breakdown on a motorway, as you and your family can face any crime. My question is, Can I join this service to feel safe when driving between cities? And if so, should my membership be limited to the service that provide the needed safety ONLY, or it might go beyond to more options, for example, maintaining my car in front of my house if it did not start in the morning?

My Answer

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

Glory be to Allah Lord of the Worlds.

May Allah's blessings and peace be on His messenger Muhammad.

Dear Tarik:

Asslamu alikum wa rahamtullahi wa barakatuh.

These schemes of road support and services like you described AA in Europe and AAA in the USA are essentially services offered by membership organizations to their members. They seem to be fulfilling the requirement of cooperation and contributory membership fees more than the Islamic insurance companies. I believe these services and schemes are permitted especially that they are incidental to membership to these organizations. Allah knows best.

Wa hadoulliahi Rab ul almeen.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Amjed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Associations that provide their members with services that are not always financial, such as help find a good insurance and car dealer, a magazine, maps and road guidance, help on the road like securing gas if you run out of gas, changing flat tires and batteries, and also give certain services that have financial prices such as towing and repairs are essentially cooperative organizations, non-for profit that help their members. This is the basic difference between them and insurance although incidentally some of their activities are insurance like. These are permissible on the basis of cooperation and membership.

Remember that the Islamic insurance is based on the same concept especially when you consider the premium as a donation to the association. This idea is what makes it permissible

according to those who argue that commercial insurance offered by profit making companies is not permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Educational Insurance Plan

From: Ahmed

Sent: Friday, September 16, 2005

Bismillah Hir Rehman nir Rahim:

Question

Dear Scholar

Assalam o Alaikum:

I am really grateful to you for your time to read my emails and prompt replies. I appreciate your time and directing me accordingly.

I am interested in buying an education plan for my child. The scenario is as follows:

The insurance company asks the target money and number of years. For example say 2500,000 to be matured after 15 years from now. According to their calculations I have to pay 60,000 per year as contribution. Now $60000 \times 15 = 900,000$ but I will get 2500,000 as I bought this plan. The contract apparently does not show any interest clause (But I am sure they have used some interest rate in calculation as banks and insurance companies normally do this).

Now even if I am ill to contribute or in other case even if I die, the insurance company will contribute the annual contribution till maturity i.e. 15 years and my child can then earn 2500,000.

My question is if buying such educational plan is Halal or Haram. If forbidden then what should I do to ensure some future of my children as education is becoming costly.

Is there any alternative to such investments.

Also I read your reply on Islamonline.net to one of the similar questions where you said allowed but:

1-There must be no interest ingredients in the contract.

2. The insured thing must be permissible in Shari'ah, is educational plan permissible in Shari'ah?

What is exactly meant in 1?

I will be grateful to your advice in this matter.

Wassalam

Ahmed

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ahmed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

You know these insurance companies play many games and very often give you the same product under different names. This is exactly what is called regular or whole life insurance but they called educational! Yes this is Haram because it is interest-based. That is the premium you pay is divided in two parts: 1) investment premium that is placed in compound interest for the period of the policy (15 year); and, 2) risk premium that takes care of the risk of dying before completing all payments. The first part of this policy is interest based. BTW, what matters is the nature of the policy not only whether it says interest or not.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Pensions

From: Abrahams

Sent: Tuesday, September 06, 2005

Question

Salaam,

I have read your opinions on the pension schemes and want to know what your basis is for judging that if a person does not have a say in where and what the trustees of the fund invest in, all the funds at the time of payout would be Halal.

I have consulted a scholar in my town (Cape Town) South Africa and differed (refer discussion below):

Dear Daleel

You will realize that your questions though very pertinent cannot be answered in a vacuum. Meaning that the answer must take into account the realities with which we have to live every day. Therefore strictly speaking in both scenarios the monies taken would not be permissible. But in our situation the answer to the first question would be to try and establish to the best of your ability which part of the eventual payment was invested in non-Halal avenues and to sanitize your takings by removing that portion. I would venture to say that if that is impossible then unless someone can prove that the money is not Halal you would be entitled to the whole amount.

In the second question again one is forced to take out a life policy and the proceeds thereof directly offsets the balance on the bond. Because you have no control over both exercises it is my humble opinion that you will not be punished for it.

Best salaams

Sheikh

From: Abrahams

Sent: 15 August 2005 12:08 PM

To: Sheikh

Salaam Shiekh

Question 1

What would your advice be for people who then are not given the option to take out a RAF with example Oasis but are only left with a company like Alexander Forbes taking into account that the employer does not make use of the services offered by Oasis as an Asset Manager.

If I understand correctly, you can not take any payout from the non-Halal (Alexander Forbes) fund although you have made monthly contributions?

Question 2

What happens in the following instance:

The father dies and owes money on the bond of the house (eg.R200,000),

The insurance taken out on the bond settles the amount with the bank (R200,000) and the family stays on in the house.

Would that money that was paid out by the insurance company be considered Halal or from a gharaam source (eg. Sanlam)

Shukran

From: Sheikh

Sent: 13 August 2005 08:05

To: Abrahams

Dear Daleel

No, this is not my view. My view is that presently members of pension fund have a wide latitude to choose where their monies can be invested. Even if not so, then all monies invested in non-Halal avenues cannot be used by a Muslim.

Salaams

Sheikh

From: Abrahams

Sent: 12 August 2005 12:07 PM

To: Sheikh

Assalaamualaykum Sheikh

A question was asked on www.Islamonline.net <<http://www.Islamonline.net/>> regarding the position of Muslims required to take out a pension/RAF etc. by the employer.

The scholar said that if it is compulsory for you to take out a policy without any alternative, then all the funds paid out (capital plus growth) at retirement is Halal for you. However if you do have an alternative, you can basically only take what you've put in.

Is this the accepted view by yourself and in general for us living in a non-muslim country?

Shukran

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ibrahim,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Please notice that in no place I said what you quoted me "if a person does not have a say in where and what the trustees of the fund invest in, all the funds at the time of payout would be Halal." I argue that when you deal with a non-voluntary pension plan (imposed by government or employer) that is based on the insurance concept the money you take is Halal and the

employee/pensioner has nothing to do with the way the management of the Pension Fund invests its money.

1) Kindly notice the big difference between what I say and what you quoted

2) The rationale of my opinion is: what you get is insurance payment and I argue that insurance is permissible, you have no relation whatsoever to what the insurance company (Administration) does with its money, that is its sin. I believe in the permissibility of insurance, all its kinds provided there is no interest clause that is basic to the contract (as in whole life), this means that term life and variable equity (that is invested in permissible stocks) along with other kinds of insurances are permissible. It is not your money that the company invests, it is rather its money and insurance is an exchange contract.

But please notice that there are two other forms of pension one is contributory like the 401K in America and the other is voluntary but must be kept with a depository like the IRA in America.

Contributory pensions: 1) if the employee has no say in the way it is managed (which is normally the case), it is permissible to accept it and benefit from the employer contributions; 2) one has to select funds that have the least of Haram (normally an employee is offered this choice); and 3) the pensioner has to estimate, throughout all the period of the program, the amount of GAIN ONLY (NOT PRINCIPAL) that includes capital gain and dividends, that comes from the Haram investment and give the total of this Haram percentage to Muslim charities. the capital (that consists of amounts deducted from salary plus matching amounts contributed by employer) is Halal even when invested in Riba(as the Qur'an says: ""you get your principal."" For Voluntary pension programs (e.g., IRA), a Muslim must select Halal stocks, at least according to the opinion that tolerates a minority of Haram (like what is applied in the DJIMI) and yet has to give to charity for purification as mentioned above.

I'm sorry if you mis-understood me earlier and please if you have any comments write me again.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Accepting Defense Service Officers Provident Fund

From: Islam on line

Sent: Sunday, August 14, 2005

Question

First Name: Ahsan

Defense service officers provident fund (DSOP) is a facility given by the government for the officers of armed forces in Bangladesh. But there is a fixed percent of interest in the scheme. A minimum amount is compulsory to save from his salary and if someone wishes he could deposit more. Officers of armed forces are forbidden to carry out private level business too. Is it permissible in view of Islam?

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Ahsan,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If interest, whether at a fixed or variable rate, is given on your savings, this interest is certainly Haram and when you withdraw any amount from this Provident Fund, you will need to calculate the amount of interest added to your account and distribute the same to Muslim charities, or directly to the poor. This is of course not considered Sadaqah or Zakah but only cleaning your own money from the Haram money. But if the system of this Fund is such that it gives you certain amount at retirement, disability, etc, (that is not the amounts you saved plus what the government matches it with plus interest) these amounts of retirement and disability, etc. are not based on interest but rather on the actuarial concept and probability studies like insurance. In this case these amounts are permissible regardless of what the management of the Fund does with the money on its hand and how it uses it, on interest basis or on financing projects. Of course the management of the Fund is required to invest according to Shari'ah and will be sinful if it invest in Riba.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Ensuring Houses and Shops in India

From: Islam on line

Sent: Sunday, August 14, 2005

Question

Name: Imran

Assalam-wa-alikum, Dear sir, I live in India, and there are always riots between Hindus and Muslims. So, as a Muslim most of the times our property is not safe and is being looted or being burned by the communal non-Muslims. Hence I would like to clarify that can we insure our property like houses and shops etc. I would like to know that in such a situation whether it is Halal for me to insure my house or shop, because there is no safety for us. Thank you jazakalla khair

My Answer

Bismillah al-Rahman al-Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Imran,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, you should insure properties in India. I belong to the opinion that insurance of properties is permissible as it raises no problems of Riba (all kinds of insurance are permissible if they have no Riba and what is insured is permissible). But in the case of Muslims in India, there is a necessity for insurance against riots. In this case I would argue that even those who see insurance as not permissible would agree on the case of necessity that relaxes the prohibition.

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

SUBJECT: Clarification on insurance

From: Waheed

Sent: Monday, August 08, 2005

Question

Assalam O Alaikum Dr. Kahf,

My name is Waheed and I am doing my PhD in Electrical Engineering from UW-Madison since 2003. Originally I am from Pakistan.

Alhamdulillah, motivated by a few wonderful brothers at Madison, I am trying to get more and more knowledge about issues that effect us as muslims living in the modern world of today and their solutions in the light of Qur'an and Sunnah. In this regard, slowly but surely I am trying to find out the rulings of renowned scholars like you on various subjects. However, as you yourself know that there tend to be sometimes conflicting opinions of scholars on certain issues, more than just the resultant fatawa, I am interested in the reasons that lead scholars to their respective fatawa so that I can make a well informed decision as to which fatwa should I be following.

In this regard, I was trying to look up the issue of insurance generally and life insurance specifically. I have gone through some of your responses that are available on your website. I tried to understand the reason of your agreement with the late Shaikh Mustafa al Zarka in terms of insurance and I think I can summarise it in two main points (assuming that the thing being insured is not Haram):

1) The first thing that can be Haram in an insurance contract is the interest based dealing and as long as the contract is devoid of it, it does not violate the prohibition of interest.

2) The second thing that can make the contract Haram is its ambiguous nature but since the way insurance contracts are written, there is no danger of litigation so this point is also not violated. Now, to me, I understand that there are many insurances available in today's world that achieve this so it seems that they are not conflicting with any other Shari'ah law. But, I have doubts about this and I was hoping that in the reply to this question, you could probably go more deep into these two aspects rather than the first two ones that you have already answered in many of your previous replies (sorry if you did that in some of your other replies and I overlooked that part):

1) Allah says in the Qur'an (Surah Maida - Verse 90): O you who believe!

intoxicants and games of chance and stones set up and arrows are only an uncleanness, the Shaitan's work; shun it therefore that you may be successful.

Now for me, the thing that I cannot comprehend is that how does an insurance (especially life insurance) not infringe onto the description of game of chance. Yes, I agree that insurance companies do a lot of pre-calculation and based on earlier statistics, they come up with a knowledge of the probability that leads them to developing premiums for their clients. But is not it still a game of chance for the insured and the insurance company.

And then especially for the insured, it is even something without a good probability. What I mean is that the insurance company can come up with a-priori probability because of a large number of data points available to them but what about the insured? If I am an insured, I have no reliable prior probability as I am just a single occurrence in a game of expectations (or you can say that I have a very big variance). I might die right after getting insured and thus 'win' big times or die in the middle of my policy and 'win' moderate amount or die after my insurance lapsed and thus 'lose' all my premiums.

Does this not account for a game of chance? Otherwise, why do we as Muslims not gamble? For example, in a lottery, I can easily know my odds. They might be as low as 1 in a million but at least I know them better than I know my odds of when I would die.

Bottom line: How do you differentiate insurance from the game of chance?

2) Although an insurance contract might not have an interest clause but what about the fact that the insurance company indulges in interest itself? Like, what if it takes the money of the insured and loans it to companies with interest? Does this not amount to the fact that the insured is helping in spreading Riba in the world? If not then why not?

Sorry for the long mail and Jazak Allah for your patience in tolerating my ignorance. I hope that insha-Allah you would find time to write a detailed reply to this query.

Once again, Jazak Allah

Wassalam,

Waheed

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Waheed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Matters you raised are important and intelligent. Please notice the following:

1) Chance itself is not a reason for prohibition, it is rather used in Shari'ah on more than one occasion. Gambling is prohibited not because of chance but because of using chance in vain. That is using irrelevant chance to change hands on properties.

2) There is no doubt certain amount of ambiguity in insurance contracts, life and others. But there is a great deal of benefits in these contracts to an extent that literally make them a necessity of contemporary life, including life insurance. And since the amount of ambiguity is of the kind that does not lead to dispute, the contract is acceptable and ambiguity is tolerated (although not removed). Tolerance of such levels of ambiguity has more than once precedent in the Islamic Fiqh during the period when people were vivid and active in thinking Fiqh.

3) What a party in a contract does with other relations is not any of the business of the other party to that contract. Hence, when we deposit money in an account permissible according to Shari'ah we do not ask what does the bank do with its other client. The interest-based transactions of an insurance company do not affect the legitimacy of my contract with it as long as my contractual relationship with it is permissible.

4) There is a difference between theft and interest, though both are Haram. In theft, the stolen thing itself is always deserved by its true owner no matter how many hands it goes through and

no matter in which hand it is found. In interest it is a matter of accounts and money. Unless you know for sure that this dollar bill you are given is the same that is given as Riba, you can't condemn it as illegitimate. Therefore the sources of earnings of the company are immaterial to me as long as its main line of business is permissible. Are we required not to accept the money of liquor brewer, or pork seller, or a prostitute in exchange for selling her/him bread? It is becomes absurd to reach that level of boycott, and it never existed in our Shari'ah!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Waheed

Question

Assalam O Alaikum Dr. Kahf and Jazak Allah Khairan for your detailed reply.

I understand most of the points mentioned in your mail. Especially, I now see the stupidity of my question regarding the chance factor in insurance.

Ofcourse, chance is there in everything that we do (even a business takes a chance of what he buys and sells) and so chance alone should not be a factor in dismissing something.

However, this brings me to

1) How would then one define the boundary between chance that is legitimate and one that is "chance in vain" as mentioned in your email and thus Haram.

Could you please shed some light on it? Is that a well defined thing in Shari'ah? If not then what is the boundary between them in your opinion?

2) How about chances on things in which you can either win but never lose nothing (do they classify as ""chance in vain""). For example, in Pakistan the government has this scheme called ""Prize Bonds"" that come in different denominations like Rs. 1,000 bonds or Rs. 10,000 etc. There is a draw held on these bonds regularly (I am not sure but I think quarterly on bonds of big value) and the top winners can win upto 10 to 100 times of the bond value itself. But neither the winner nor those who did not win (or losers if I might call them) get to surrender their bonds and can get their money back at any time by returning their bonds to banks. So they lose nothing.

I think these explanations would InShaAllah clear up the issue of insurance along with a lot of other things in my mind. Jazak Allah for helping me out in seeking this clarification.

Wassalam,

Waheed

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Waheed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

You may like to read a little about Gharar and Jahalah in Shari'ah. Unfortunately the book that discusses this issue in English is unsatisfactory. There are several materials in Arabic. In quick notes please consider the following:

- Creating a chance, even for a benevolent reason is not permissible (let us slaughter a camel for distribution to the poor and we create a chance to determine who pays for it, Lottery). This is the Maysir that is mentioned in the Qur'an.
- Buying a chance is also not acceptable, (bidding on racing or slot machines).
- Ambiguity about the existence of an object of a contract is not acceptable: sale of the hunting of tomorrow, or a lost camel in the desert.
- Ambiguity about future events (random events) does not hurt a contract when it is manageable. This is more when a contract is necessary. Security contract is permissible: take this road, I guarantee its safety (a known contract in classical Fiqh).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Buying and Selling Shares of insurance companies

From: El-Islam on line

Sent: Sunday, August 07, 2005

Name: Mustafa

Country of Origin: Australia

Question

Dear scholars as-salmu alikum. My question is whether it is permissible in Islam to buy and sell share on the stock exchange? And is day trading (buying and selling stocks within the same day) allowed as a method of making money?

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mustafa,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Buying and shares means that you are becoming a partner in the company whether you attend shareholders' meetings and vote in them or not. Therefore the rules of partnership and ownership apply. A Muslim must not be a partner in company that undertakes prohibited activities such as producing/distributing prohibited substances/services like liquor, pork or pornography or enters in prohibited contracts/transactions such as Interest, gambling, sale of what the company does not own etc.

This means that when a Muslim trade shares she/he should be selective to choose only shares of companies that do not have prohibited things as their main line of business, this includes banks, insurance companies and of course casinos, conventional film production/distribution, pork , liquor, etc. The principle should also cover any company that makes even a few non-permissible transactions such as taking interest-based loans from banks or depositing funds in interest accounts.

But recognizing that this restriction places a lot of difficulties and inconvenience to individual Muslim investors, especially those with small amounts of savings, and applying the rule that inconvenience must be removed when it applies to a large number of Muslims what is called in Shari'ah "Hajah 'Ammah" that is below the level of necessity, a group of respected scholars argues for establishing certain criteria whereby investment (trading) in shares of companies whose main line of business is permissible but they have relatively little transactions that violate the Islamic laws should be permissible under the present days circumstances in the markets today.

These criteria aim at guaranteeing that such prohibited transactions are little: They include: 1) Interest income must not exceed 5% of net income of the company, 2) asset that produce interest (bank deposits plus receivables) must not be excessive, liability from loans must not be high, etc. Once these criteria are satisfied by the balance sheet of a company it is permissible to trade its shares. You need to do your homework on the internet, visiting websites that provide detailed info about these criteria and shares such as the Dow Jones Islamic market indices and the IFS before one start trading a given stock.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Shares of insurance companies

From: Jeff

Sent: Monday, July 25, 2005

Question

Dear Br.Monzer:

Assalamu Aleikum wa Rahmatullahi wa Barakatuhu.

Should we consider insurance to be a prohibited activity? If so, what types of insurance? It's not so simple as providing Ribaloans. I'm referring to the service itself, removed from the fact that insurance companies usually invest collected premiums in Riba-based securities.

Jeff

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Jeff,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I belong to the group that argues for the permissibility of all kinds of insurance, commercial and cooperative, buying t and selling it provided the contract is not interest-based and the substance of insurance is permissible. The late Shaikh Mustafa al Zarqa (died in 1999) who as the most renowned and recognized Shari'ah scholar of his time used to give the example of the second condition: insuring thighs of a belly dancer because belly dancing is not a permissible profession. I usually give the example of insuring a shipment of liquor. The condition of interest-

based excludes regular life insurance in contrast with term life and variable equity life; the latter forms of life insurance are essentially permissible.

Offering insurance is permissible except for whole regular life and insuring what is Haram. Also buying the same is permissible.

Of course insurance companies do not make such a distinction and they invest, as you mentioned, in interest-based securities. There is no doubt about excluding their shares from the list of permissible shares on the ground of main line of business. Companies that specialize in non-life insurances can be considered permissible from the point of view of main line of business but they get a low rating on involvement with interest.

We should remember that this is a minority opinion. The majority's that is also adopted by the OIC Fiqh Academy is that all insurance offered on commercial basis, in contrast with cooperative offered on membership donation basis, is Haram on the ground of Gharar. According to the majority "commercial" insurance itself is not permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: working in insurance

From: Islam on line

Sent: Thursday, June 16, 2005

Question

Name: Ismail country of Origin Morocco

As-Salam `alaykum 1)I am a Muslim man living in the West temporarily. I have experience in investing in stocks and would like to make money for my future. Is it Halal or Haram to buy common stocks of companies that sell Halal products but they put their money in banks with Riba? All companies in the West do that. if Halal, can i perform hajj later on? Is it true that there is fatwa banning buying US stocks, if so, does that apply to me? What should i do? Please answer me in precise if it is Halal or Haram 2)I work at phone insurance company. They have 2 sections. One section is where they fix insured phones and other section they fix phones for a company. I used to work at section not having insurance but was transferred to other section. All I do is inspect phones for quality in their warehouse. Is the money I earn Haram or Halal? Shokran Jazeelan

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ismail,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Owing and trading stocks of companies whose main line of business is permissible but they deal sometimes is non-permissible transactions such as Riba, is controversial. The principle is that once you buy you become an owner in the company and whatever is done by the management is actually done on your behalf and for your account as a partial owner in the

company. This is very restrictive in application. Therefore a few respected scholars argue that since this creates a hardship for many Muslims the rule that hardship must be removed is triggered to be applied. They add that permissibility of trading stocks of companies that do sometimes non-permissible transactions should be restricted to companies that do not have much of these transactions. In other words, as long as such transactions make only a small proportion of the company's business, it is permissible to own and trade its stocks. They suggest that interest earning should not exceed a few points of its net income, something between 5 and 8 %. They also add other criteria that include: assets that usually generate interest such as cash in banks and accounts receivables should not make more than one third of total assets and that the leverage of a company must not exceed one third of its capitalized value and that the company's main business must not be in the field of military industry that is mostly used for aggression against other nations and peoples. According to this group of Shari'ah scholars, stocks that fulfill these conditions are tradable from a Shari'ah point of view.

2. After the clear aggression of the American government and foreign policy against the Palestinian people, and against Afghanistan and Iraq, many very respected Muslim scholars called on all Muslims to boycott all American stocks, products and commodities. This is a very good idea and a peaceful reaction to the unjustified violent aggression of the current government of the United States. I believe that all Muslims all over the world should support this call and boycott American stocks and products until the current American administration ceases its aggression against other nations and people. This certainly not meant to hurt the interest and properties of individual Muslims and should be applied to that extend only.

3. Insurance itself is not agreeably prohibited. I stand on the side of the permissibility of conventional insurance provided the contract is not interest based (only some kinds of life insurance contracts are interest-based). In matters that have different opinions it is difficult to decree a prohibition on auxiliary and related things. Besides, your job is not in insurance you inspect and may repair telephone sets in a company. Your job is InShaAllah Halal and your income from it is also InShaAllah Halal too.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Superannuation, pensions and death benefits - Included in estate?

From: Iqbal

Sent: Monday, June 06, 2005

Question

Asalaamu Alaikum

In Australia, employers contribute 9% of an employee's salary each month to a superannuation fund (retirement fund) of the employee's choice. In many organisations, the employee earns a certain package and the superannuation contribution is deducted from this package.

Employees can transfer funds whenever they wish and can commute 1/3 of the superannuation on retirement.

Should a person migrate from Australia, they are permitted to cash in the fund.

My question is as follows: upon death, are the superannuation funds included in the estate of a Muslim to be distributed in accordance with the Shariah? Usually, the employee will indicate who his/her beneficiaries are on joining the fund and in 90% of the cases, the fund will pay these beneficiaries.

Differing taxation implications arise if funds are distributed to dependants versus non dependants.

Also, is a life assurance payment included in the estate?

Thank you for your assistance

Wasalaam

Iqbal

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Iqbal,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Many of retirement plans pay pensions to beneficiaries upon the death of the employee/retiree. These pensions are certainly not included in the estate of deceased because they are earned by beneficiaries after the death of the deceased and did never make a part of her/his wealth when alive.

On the other hand, some retirement funds are based on ownership-cum-investment, although they have named beneficiaries. The example of these is the IRA and the 401K in the USA. These are not only part of the estate, with regard to distribution according to inheritance system in Islam but are also subject to the annual Zakah during the life time of the employee/retiree. Minor limitations, conditions and tax penalties on withdrawal do not hinder or contradict the ownership right because government may put certain conditions on properties of person by law.

The Criteria hangs on whether one owns the funds in this account or not. Life insurance payment on the death of the insured was never owned during his/her life time, it is a grant from the insurance company to beneficiaries based on the insurance contract. It therefore does not have to be given up by beneficiaries to the account of the estate.

You noticed that I gave you the general rules because I really need more info about this special retirement plan to give a specific opinion. So I will be glad to receive any further explanation and discussion of this matter.

You should also remember that there is another opinion that argues for the distribution according to inheritance of properties earned by beneficiaries as a result of the death of a person. This is in analogy of blood money earned as a result non-intended manslaughter. I don't agree with this opinion in regard to life insurance payments and retirement plans that are not ownership based.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is opening Car Insurance Office Halal?

From: Hani

Sent: Saturday, May 28, 2005

Question

To: monzer@kahf.com

Al Salamu Alaikum Dr. Monzer Kahf,

I enjoyed reading Fatwa On Insurance pdf file that is on the internet based on the following link:

<http://monzer.kahf.com/fatawa/FATAWA>

INSURANCE.pdf#search='Islam%20and%20car%20insurance'

I was few hours ago in a discussion with a friend of mine who is trying to convince me in starting a car insurance business office. I was very reluctant and I states my reason that is very questionable and in the gray area near harm and I am not interested. He said he met a scholar by the name Sheik Mustafa Al Zarka and he asked me if I knew anything about him. I said know and he said he is very comfortable by his opinion about the car insurance Islamic legality ""Halal"". I was very curious and after he left I went on the internet and I started my search. I read the above link pdf article and I saw your name and I am very interested in knowing the opinion of the Islamic scholar and your opinion about the car insurance business office that is dedicated to sell car insurance to the public as a full cover and as a liability based on the following: 1) cars are either fully owned or financed and the cars are used for subjects that are permitted in Islam -- No alcoholic beverages transportation.

Thank you for your reply.

Hani

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Hani,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I believe that commercial insurance, i.e., insurance offered by companies that aim at making profit, is permissible, this is the opinion of the late Skaikh Mustafa Zarka, provided the object of insurance is permissible and the contract does not have any interest clause.

Car insurance normally fulfills these two conditions. If it is permissible to by it is also permissible to sell and to have a business of selling car insurance. On the other hand, owning an insurance company under the existing laws may not be permissible because laws requires such companies to invest a large percentage of their assets in interest-bearing securities.

Now, you should also remember that if Takaful (based on cooperation of members, no profits and contribution of membership fees instead of premiums) companies exist, the late Shaikh Zarka himself argue that one should go for them rather than conventional companies in order to accommodate the opinion of his opponents on insurance.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Hani

Sent: Wednesday, June 01, 2005

Question

Al Salamu Alaikum Br. and Dr. Monzer Kahf,

Thank you for your prompt reply. I do appreciate being extra patient with me. I am trying to do my due diligence that will benefit me and others as well as you in great rewards in this life and the Akhirah and I do further appreciate your sincere devotion to the subject matter.

Following is a brief description of the business and my sample contract for your review:

Attached is a pdf of the contract details for your review.

What "Discount Auto Insurance" provides is a low cost car insurance quotation and purchasing of auto insurance to the public by submitting electronically through the computer any client information for quotation and purchase if interested. The computer will bring back quotations from many insurance companies to be shared with the client. The client selects the best rate and pays the initial contract fees for submitting to the insurance company. Discount Auto Insurance mailed the collected information to the insurance company of which the client selected. Once the insurance company received the completed information it pays Discount Auto Insurance a commission for the services provided. In simple, it is like the travel agent that quotes and sells airline tickets however in this case it is car insurance instead of the ticket.

I attached sample contract for your review. It has on the first page and in the last page the payment terms. I believe this will help you in seeing the actual contract for your evaluation and opinion to the matter.

A story to share with you about a great Shiek from Bilad Al Sham: While the great Shiek was delivering a lecture to his students a strange man walked in the class, sat and asked a question about divorce. The Shiek listened to the question and he told him to sit while he continued the lecture. After about 15 min the Shiek asked the man to repeat the question and the Shiek did the same thing continued the lecture and did not answer the man. The students got surprised the Shiek asked the questions several times and continued the lecture and did not answer the man. The Shiek said, every time I asked the man to repeat the question he changed the question and the ruling for each question was different. So he has to write it down so I can answer the written one.

Brother and Dr. Monzer I am trying to share with you all the info that I have so we both are rewarded for our sincere efforts. There is a saying which is "The Devil is/are in the details". I am trying to share with you all of what I know.

I am trying to fulfill my Islamic responsibility and duty in knowing the Halal and Haram by "Fa S Aloo Ahla Al Zikri in Kuntum La Taalammon". I do appreciate if you can let me know who has an excellent knowledge in Islam and insurance so I can ask him/her the same question so I can feel comfortable. Please note I respect your opinion and appreciate it a lot however I want my heart to feel good and when I see Allah, I have my efforts and my deed that will show my sincere attempt in practicing Islam. I feel the following verse from the Quran -- "Kala awalama to'min Kala ba la wa lakin li yatmaina kalbi" Ibraheem peace be upon him when he said said to Allah about how Allah and ask Allah " ... Arini kayfa tohyi al mawta ... ".

Wa Salamu Alaikum Wa Rahmatu Allah Wa Barakatuh.

Hani

My Answer

Dear Br. Hani

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Thank you for the further info. There is no change in the Fatwa.

Best Regards, Wassalam,

Sincerely,

Monzer Kahf

SUBJECT: Insurance Broker Paid on commission Basis

From: Islam on line

Sent: Sunday, April 10, 2005

Name of Questioner mohammed Country Kenya

Question

Can I be an insurance broker paid on commission bases ?

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mohammed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, if you sell permissible contracts only. According to the opinion of the late Shaikh Zarka insurance offered by commercial companies is permissible provided that 2 conditions are fulfilled. 1) There should be an interest clause in the contract and 2) the subject of insurance should be permissible. For instance, it is not permissible to transport a shipment of liquor and therefore insuring it is not permissible. By the same token, whole life insurance contains interest clause (in regard to the payment after a number of years of the amount of the policy if the insured remains alive). Working on commission in permissible jobs is also permissible because the wage is known and calculated as a known amount relative to the number or amount of sale.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Review an answer on annuities and life insurance

From: Islam on line

Sent: Thursday, April 07, 2005

Question

As-salamu `alaikum fadilat Dr.

Please see if this answer is okay or not as it is a translation from the Arabic original text.

If you have any additions, please write them to make a group of Muftis about the fatwa:

Many Muslims resort to special insurance companies to secure a reasonable pension in the future, for the state in some cases does not secure a pension for them in the future.

The method is that these companies accept the deposit of a specific monthly or annually amount and stipulate that it remains with it for at least five years. The amount is usually deposited for fifteen years on average. During this period the person would have saved the amount plus certain (not fixed) profits, besides health insurance. In case of death a certain amount would be given to his heirs. The amount along with the profits will be returned to him at the end of the contract or a certain pension is given to him according to the amount he has deposited.

Responding to the question, European Council for Fatwa and Research, states the following:

The Council discussed the content of the question on insurance and reviewed its previous resolutions on the topic of insurance in all its forms in its Sixth and Eighth Sessions. It concluded that the form mentioned in the question does not belong to the form that the previous resolutions of the Council permitted, but it belongs to the forms of life insurance through the commercial insurance companies that have been prohibited by resolutions taken by the Fiqh academies, such as the Muslim World League's Islamic Fiqh Academy that confirmed Fatwa no. 51 on 4/4/1379 AH of the committee of prominent scholars in Saudi Arabia, and also the decision of the International Islamic Fiqh Academy no. 9/9/2 which states that the contract of commercial insurance of a fixed premium with which the companies of commercial insurance deal involves great risk or gharar that renders the contract invalid. Therefore, it is prohibited in the Shari'ah.

The alternative contract that respects the Islamic principles of dealing is the contract of cooperative insurance that is based on solidarity. Thus, from this review and from investigating the content of the question and the reality of the kind of insurance asked about, the Council opines that that is impermissible because it involves risk that is prohibited and usury that is unlawful in the Shari'ah.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Sayed in Islam on line

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

With all due respect to the European Fiqh Council I beg to differ with it on its rationale and alternative although I think that this contract may not be permissible in Shari'ah.

I argue, along the view of the Late Zarqa that insurance, commercial and cooperative, is permissible and I therefore do not worry about the amount of Gharar (not risk because risk does not convey the meaning of Gharar) in the commercial insurance contract because it is little and tolerable in consideration to the benefit and indispensability of insurance in modern life and the fact that the donation with conditions in the cooperative insurance is fictitious. Besides, why not rewarding a person who brings together people to cooperate?

The problem that remains in this issue at hand is the interest. Annuities are usually interest-based. Islamic Takaful companies have non-interest-based annuities that are carefully engineered. They estimate profit, equalize payments and subject them to final accounting with

plus/minus adjustment. Such adjustment can be smoothed to a large extent by use of reserves but still cannot be eliminated all together.

I question the ability and willingness of any company other than Islamic Takaful companies to go into those routes. I have a great suspicion that these annuities are interest-based and what is said as "variable profit" is only variable interest rate that is common in the market today. Besides, the use of funds in conventional insurance companies is normally in interest-based securities. This is required by laws of all countries. Islamic Takaful escaped that because they were based on special laws wherever they exist, as in Malaysia and Bahrain. I know for sure that pother companies do not have such facilities. This is why I think that this kind of annuities is interest based. This is of course subject to further info about the variability of return and the use of fund (sources of the gain) by the insurance company that issues this annuity.

Finally, we should notice that some conventional companies have offered equity based (stocks) life insurance and it goes also with annuities, but I have 2 points on these companies:1) their choice is limited in terms of funds and the margin of cleansing one's return should be high since most of their funds have high components of non-permissible stocks; and 2) their annuities, even though they are derived from the equity based investment, are interest based in their calculation, i. e., they do not have the process of accounting equalization and adjustment at the end of a financial year.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Comprehensive Car Insurance

From: Moosa

Sent: Saturday, March 19, 2005

Question

Assalamalaikum Dr. Kahf

Can you please guide me with the following:

1. Is it permissible to purchase comprehensive coverage on car insurance?
2. Is it permissible to purchase house insurance?
3. is it permissible to purchase additional insurance on shipping, when you are shipping a merchandise that is expensive?
4. Also, is it permissible to purchase insurance on personal property and household items such as furniture, jewelry?

If it is permissible, and one then purchases insurance, would this be considered a weakness in Iman

Jazakullah

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Moosa

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

My answer to all four question is YES, they are all permissible, they do not make a weakness in one's faith/religion.

I am aware that there are other views but I argue for this opinion. It is led by the great late scholar Shaikh Mustafa al Zarka and it has the late Maududi as a defendant of it too. It is rational and consistent with the objectives of Shari'ah and the arguments given by the opponents are very weak and based on misconception rather than good understanding of contemporary life and new practices that did not exist in the past.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is running an Insurance Agency allowed?

From: Faiz

Sent: Friday, March 18, 2005

Question

Dear Brother Monzer,

Assallamo alaikum,

I am a male, mid-30s, in the US faced with the prospect of buying a running insurance agency business from my uncle. He is moving to another state and will sell it within a few months. The business is an Allstate Insurance agency with life, auto, home and commercial policies.

My question is this: Is it permissible to own and operate such an agency? I understand that Takaful is allowed under Shari'ah. However, Allstate certainly profits from the premiums after paying out claims and also invests the premiums in real estate, stocks, as well as (most probably) interest bearing or derivatives based securities.

Does this concern the agent, who is not directly involved in the workings of Allstate, but is dealing with customers and getting new ones?

Also, is there a Takaful equivalent to life insurance?

Your reply is most appreciated. Assalaamo alaikum...

Faiz

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Faiz,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Although many scholars stand against commercial insurance, I belong to the growing wise minority that believes: insurance is permissible under two conditions: the insured thing must be permissible (e.g., insuring a shipment of liquor is not permissible) and the contract does not contain interest. This minority is led by the late Shaikh Mustafa al Zarka (died 1999) who was the undisputed leading Shari'ah scholar of the last part of the 20th century, it has also the late Maududi.

Accordingly, it is permissible to own an agency and run it as a business provided you do not offer prohibited contracts. Prohibited contract include: insuring a thing that is prohibited and contracts that are interest-based such as regular life insurance. variable equity life insurance and term life are both permissible. Furthermore, if you were the owner of all states company I would tell you that investing in any interest based instruments and derivatives is also prohibited. But you are not part of what the company makes since you work on commission as you mentioned.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is removing a life insurance policy Haram?

From: Islam on line

Sent: Monday, February 28, 2005

Name of Questioner country of Residence India

Question

Is removing a life insurance policy Haram in Islam?. please advice

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Khalid,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If you mean by removing canceling a life insurance policy, the answer is: It is not Haram to cancel a life insurance policy and it is not Haram to take a policy either.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Life Insurance & its Zakah, and Retirement Plan

From: Islam on line

Sent: Thursday, February 24, 2005

Name of Questioner Shahid country Canada

Question

Asalamu Alaikum, Dear Br / Sr, thank you for your time in advance.

I have a couple of questions: 1) Reading previous fatwas on IslamOnline (by Dr. Kahf), it's my understanding that some consider it permissible for Muslims to purchase life insurance as long as it is term-based, not universal and that this life insurance follow the mutual or co-operative method. I'm wondering if there are any other issues I should be looking out for asides from

those two (term-based, co-op only). Also, am I required to pay Zakah on life insurance? That is, if I have a \$100,000 policy, I would have to pay \$2,500 every Islamic year? 2) Where I work they offer a company sponsored retirement plan. In short, it's a standard retirement plan where the company matches your contribution. Unfortunately, all the plans which are offered are interest-based, either through bonds / money market / etc... I was wondering if I would be allowed to join this plan (to take benefit of the match) but in turn donate any interest accumulation to a charity. The only reason I am considering doing this is that in Canada a person is allowed to borrow from their retirement savings interest-free when purchasing a house. I would use these accumulated savings as a down payment for a house (without the interest-based gains). Thanks again for your time.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Shahid,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1- Life insurance is permissible as long as it is not interest-based. Term life and several forms of variable equity are not interest base. There are other opinions that prohibit all insurance unless 2 conditions are satisfied: the company is cooperative and the contract is donation (Tabarru') based. I believe in the permissibility of life and all other insurances provided the subject of insurance is permissible (e.g., it is not permissible to ensure a shipment of liquor) and the contract is not interest based. This is regardless of cooperation or mutuality of the company, i.e., it is permissible to have the contract with a commercial company, even if it has other contracts that are interest-based.

2- The amount of life insurance is not owned by you and shall not anyway be paid to you! It is paid only after death to persons assigned as beneficiaries (may or may not be the heirs). It is then obvious that this amount of life insurance is NOT subject to Zakah. It will be subject to Zakah one year after it is paid to beneficiaries and other conditions of Zakatability are satisfied.

3- It is permissible to participate in the retirement plan as you describe it. If this plan is only a saving, with matching, plan for retirement whereby the benefits are based only on the amounts contributed (in contrast with an actuarial system in which benefits are based on number of years, last salary and any other special circumstances like death on the job or accidental) and funds that are offered in the plan are all interest generating as you mentioned, then you must really give away any interest to Muslim charities and you can take back your contributions and matching funds only; of course you can borrow from this account even if the law requires you to pay interest to the account as the case in the USA. But if the account is based on an actuarial system and it has a management committee, you are not responsible (and you do not even ask the question) of what the committee does, In this latter case you take to yourself all the benefits deserved according to the system and you do not even question where did it come from. The difference is that in the latter case benefits are insurance-based whereas in the saving system, it is only your money and the matching money invested usually with certain choices that are given to you.

Wa Allahu A'lam

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

SUBJECT: Joining the Pension Scheme

From: Islam on line
Sent: Thursday, February 03, 2005

Question

Assalamu alaikum, I have been working for many years, i have not joined any pension scheme, with uncertainties in the future financial status. i am considering joining the pension scheme. What I need to know to join a pension scheme is it Halal? If not why? what sorts of things should i look for in the agreement i cannot find a copy of the statement online, but i have read, will get paid according to the final salary divided by the number of years worked please can you let me know asap wassalam

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

We cannot give you a Fatwa about a pension scheme that either you or we do not know! can we? pension system offered by governments or companies in general is permissible and the problem that may arise is related to Ribain the use of the funds of the scheme. Private pension schemes contracted with insurance companies may have more problems of Ribathan schemes run by governments and companies. If you give us more info we will be able to give a more detailed opinion.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Variable Life Insurance

Question:

From: Ahmad
Sent: Tuesday, January 11, 2005

Assalamu Alaikum,

I was referred to you by Abu Saad (Saleh) to get your input on dealing with Life Insurance, in general, and Variable Life Insurance, in particular,. The attached URL gives you an overview of the subject.

P. S. The investor who presented this to me (a good Muslim) informed me that if all indications say Variable Life Insurance is Haram, then check on the issue that you assign a school or any

other entity to be the Beneficiary and use this form of life insurance as a vehicle to get the best Retirement Plan and save on Taxes at the same time.

Jazakum Allah Khair.

Ahmad

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ahmad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Life insurance is like all other insurances controversial from the Shari'ah point of view. I take the opinion of the Late Shaikh Mustafa al Zarka (died 1999) who argued that insurance itself is permissible provided the contract does not contain any interest clause and the object of insurance is permissible (e.g., insuring a shipment of liquor is Haram). The other view is that all insurances are not permissible because the contract contains a great deal of Gharar.

Accordingly, I believe that insurance is permissible. Life insurance contracts are usually interest-based except the variable and the term. The only problem that remains with the variable life is that all the funds offered have in them stocks that are prohibited for Muslims to buy. This can be reduced by selecting funds with least prohibition (that includes financial sector, entertainment, real estate, military industry, etc.) and by a generous application of the purification principle (giving to charity the estimated capital and dividend profits that result from such prohibited components of the fund and from other companies that deal some times in Ribaas all American companies do).

Finally, my opinion is: take a variable equity life insurance, select funds with the least evil, and assign a generous part of it to Muslim charity (this is not necessarily the same as Zakah recipient but it may include Islamic centers, schools, Islamic services to community such as CAIR AND ISNA, etc.).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Car Insurance

From: Islam on line

Sent: Monday, January 10, 2005

Name of Questioner abrar country United Kingdom

Question

Assalaamu Alaikum

Somebody told me that all types of insurance are Haram unless there is a neccessity. Please can you clarify this for me. I am a taxi driver and I have to have car insurance for my taxi, if I don't then I will not be allowed to drive a taxi. Therefore it is necessary for me to have car insurance because of my job. Please can you tell me if this is correct and am I allowed to have car insurance in this situation. JazakAllah

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Abrar,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Insurance is controversial. Some argue that it is Haram on the basis of Gharar (lack of definite info in the contract regarding size, timing and cost of an incidence). Some others, including me, argue that it is permissible as a new contract that violates none of the Shari'ah rules and the ignorance in it becomes known in a definite way when a incidence happens besides the contract is very essential for contemporary life. This applies to all kinds of insurance including life, car, home, job, etc. There is an important condition though that the contract must not be interest based. This happens only in some kinds of life insurance, it does not apply to car insurance.

Finally, those who oppose insurance realize that it is in fact necessary for cars and then they say it is permissible under necessities only! This necessity includes your case. Take car insurance and do not worry. And for me other insurance are very important, almost necessary too, but when you take other insurances be sure the contract does not have any built in interest clause.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA INSURANCE TAKAFUL 2004

SUBJECT: Annuities

From: housam

Sent: Thursday, December 02, 2004

Question

dear dr. kahf:

alsalam alekum

I would appreciate it if you can give me the Shari'ah opinion regarding these types of annuities:

1- It is called " immediate life annuity with survivor and certain period": it is contract between the individual (annuitant) and an insurance company. The annuitant agrees to pay the insurance company a single payment and the insurance company agrees to pay the annuitant a monthly income/salary (calculated on the bases of the amount paid and the annuitant age and life expectancy) starting within one month of the contract and last for the rest of the annuitant life. If the primary annuitant dies then the payment are continued to the rest of the life of the secondary annuitant (spouse). there is also a certain period of 20 years ,during which if both annuitants died before the end of these 20 years then the payment are continued to a specified

beneficiary up to the end of these 20 years. Once the contract signed and became in effect you can not get your money back also there is no repayment of principle or any lump sum payment in case of death or reaching a certain age or after x numbers of years. it is basically just an insurance of a stable income as long as you live or your spouse lives.

2- The other type is similar to number 1 except that the contract is between the individual and a charitable organization, and the payment the annuitant gives initially is considered a charitable gift. So on top of the monthly income, the annuitant get tax deduction advantage for the charitable gift on a yearly basis.

3- The third type is called "equity indexed annuity". Equity-indexed annuities guarantee customers a minimum interest rate (often about 3 percent) while offering the potential of higher rates by tying your return to an index like the Standard and Poor's 500.

While it's a lot like investing directly in the stock market, customers don't get the full boost of a rising market. With equity-indexed annuities, the money put down by purchasers isn't invested directly in the stock market. Instead, customers are offered a percentage of how much the index gains over a period of time (not including dividends, which accounted for about 30 percent of the total return of the S&P 500 for the last 20 years), and a guaranteed minimum return if the stock market declines.

Thank you much

housam

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Housam,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I am sure that by now you can make a good judgment on any such instruments. You notice that in all of them interest is the core of the deal. they are all interest based and consequently prohibited.

There is an insurance policy, offered by most of the companies, that invests your asset in the stock market, a choice of funds, and this may be permissible if you choose funds that have the least interest involved companies and apply the cleaning principle. by estimating the percentage related to interest if the final outcome of the policy and give it to charity (making a charity a beneficiary of such percentage.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: RE: question on insurance

From: Hossam

Sent: Wednesday, November 10, 2004

Question

salamu aliukum Dr Monzer

I hope you are having a blessed ramadan insha allah.

I wanted to ask you a question: is it permissible to purchase insurance for items such as telephones and so on. They are often an option that you can purchase from various stores. they allow you to return the phone (or replace the item) within a certain amount of time (1-3 years) if something goes wrong with it. Please advise Thanks, Hossam

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Hossam,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

When you purchase such an insurance and/or maintenance agreement along with the purchase of the item from the seller of the item, it is permissible according to majority because it become a part of the sale and an increment in the price for the warranty (although extended) of the item that is essentially the responsibility of the seller any way. When you buy such a contract separately (not along with purchase) or from other parties, it is also permissible in my view because it is insurance that does not contain Riba. And I believe insurance is permissible. This is the view of a minority (though a wise one) led by the late Shaikh Mustafa al Zarqa.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: life insurance

From: Yasir

Sent: Tuesday, November 02, 2004

Question

Salam Dr. Kahf

I pray all is well there.

I was thinking of taking out a life insurance policy that would have a \$50K payment to my wife in case of my sudden death. This is also the max limit I can do that is tax-deductible. Is this Halal? If not, what alternatives are there?

yasir

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Son Yasir,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I suppose you are going to buy a term life insurance, thru the company. Term life insurance is permissible. If it is what is called whole life, it then has certain problem of interest.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Working for an Insurance Company

From: Islam on line

Sent: Sunday, October 17, 2004

Name of Questioner LAMIS

Country of Residence United States

Question

Salam I have been offered a job in an insurance company I needed to know if it is Halal to work in this field or is it against our religion. Keeping in mind it is the law here to buy insurance before registering any cars or houses in ones name. Thank u

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Lamis,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

In the US, it is the law to have liability insurance before you register a car to your name but o the best of my knowledge house insurance and car comprehensive insurance are not obligatory.

I stand on the Side of the Scholars who find nothing prohibited in insurance provided it is not interest-based. In other words, the prohibition comes from Riba rather than insurance itself.

Car, transport, business and house insurances are normally not interest based. The kind of life insurance that is based on interest is the part of a whole life that gives you a right to the policy value after a given number of years. If you avoid selling this and any other policy that is based on interest, it is permissible to work in an insurance company.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Working as an Actuary in an Insurance Co

From: Islam on line

Sent: Tuesday, October 12, 2004

Name of Questioner Khalil

Country of Residence France

Question

Assalamu `alaykum, Can a muslim work as an actuary in a non profit insurance company, although, interest rate are using during calculation of premiums? Jazakum Allah kheiran!

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Khalil,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, it is permissible to work as an actuary in a non-profit insurance entity. Is it a company or a cooperative? What do you mean by its being a non-profit?

Actuaries make studies and plans and propose policies, premiums and adjustments in practices they do not make insurance contracts. It is prohibited to make an interest-based contract including typing and signing it even if it is done on behalf of an employer. If this non-profit invest its cash on interest basis, it is also prohibited for a Muslim to make these interest-based contracts.

What is prohibited in interest is to make any increment in debts / loans between persons/entities. It is not prohibited to use certain interest rate as a reference in calculation of any other thing. Islamic banks use the prevailing interest rate in determining the rate of mark up in the permissible Murabahah transaction; otherwise they will fail in a market that is dominated by interest-based banks!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Grandfather Working as a Manager in an insurance Company

From: Islam on line

Sent: Monday, October 04, 2004

Name of Questioner mahtaab

Country of Residence Mauritius

Question

Respected Scholars assalamualaikum wa rahmatullahi wa barakatuhu actually my grandfather worked as a manager in an insurance company. He used to give me many things and me i know that working in an insurance company is not allowed in Islam, thus the salary becomes Haram. now he has given me many gold jewels, i never wore them but just kept them. one friend told me i can not sell the jewels and use the money for charitable purposes. What i want to know is, if I want to sell those jewels with the money can I buy books with it. I thank you beforehand for your answer and may Allah Almighty help you in your task.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Mahtaab,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Insurance is controversial. It is not agreeably nor unanimously prohibited. This is on one hand; and on the other hand, working in insurance is not prohibited unless the worker sign on behalf of the company or as a witness insurance contracts that involve interest. Normally all kinds of

insurance do not involve interest except for one kind of live insurance (which is however the most common kind!). It is the opinion of the great majority or respected scholars including Shaikh Siddiq al Darir of Sudan, Al Mukhtar al Sallami of Tunis, the late Mustafa al Zarqa of Syria and al Qaradawi of Egypt (in fact all of them belong to the whole Muslim Ummah not to their countries of origin), that working in conventional banks is permissible as long as one does not write or be a witnessing signatory to an interest-based contract (i.e., such as working as a teller or in the public relation, personnel or IT depts.).The justification for this Fatwa is two folds: 1) There is no acceptable reason to expand the Wrath of God that is mentioned in the Hadith on the taker of Riba, its giver, its writer and its two witnesses, to other people around these four; and, 2) prohibition of such kinds of jobs impose hardship on Muslims individuals by slashing away substantial portions of the job market in any country and the Rule in Shari'ah is that hardship must always be removed, keeping in mind that the prohibition of interest is systemic in contrast to the prohibition of theft or adultery that is essentially moral, Consequently, working in insurance companies is not Haram and the income from such work is not Haram either.

Additionally, if someone has an income from Haram, the Shari'ah does not require us to boycott her/him. In other words, it is still permissible to make all kinds of permissible transactions with such a person! This may be surprising to you but it is the fact. We are not required to boycott such a person but in fact it is permissible to sell him/her bread and other food, cloth, rent properties accept invitation for a dinner and even exchange gifts. I am aware of the idea that call for avoiding all these relations. But one must notice that they are based on preference only, i.e., on Taqwa on on specific Shari'ah rulings.

My conclusion is that all the gifts your grandfather gave you are Halal for you and you can use them, wear them, sell them and enjoy the money you get from it and give them as a charity or Zakah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is That Money Halal for Us?

From: Islam on line

Sent: Thursday, September 09, 2004

Name of Questioner - - - Country of Residence United Kingdom

Question

My brother has died. He worked for the Civil Service in the UK. He signed up for a sum of money to be paid to his family if ever he died as it is workplace procedure to do so I think. Is that money Halal? Please answer in detail mentioning the evidence as I need a detailed answer. Please go on with publishing if u want

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr.

This money is Halal for the heirs of the deceased brother. If the money is paid directly from the employer account, it must have been part of the employment benefit, many employers have such a system. It is like part of the salary of the deceased paid after death, it is Halal. If the money is paid from a special fund run by the employer, it is also a fringe benefit to employment; it may be contributed to by the deceased and by the employer together or by the employer only, it is also Halal on the same ground. If it is paid from an insurance company, directly to you or through the employer, it is usually a result of a collective insurance policy on the lives of the employees, it is not interest based, and Insurance, when not interest-based, is permissible (there are people who argue against insurance but I believe in its permissibility in following the late Shaikh Mustafa al Zarka). It is also Halal InShaAllah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Employer payment at death

From: Islam on line

Sent: Thursday, September 09, 2004

Name of Questioner - Country of Residence United Kingdom

Question

My brother has died. He worked for the Civil Service in the UK. He signed up for a sum of money to be paid to his family if ever he died as it is workplace procedure to do so I think. Is that money Halal? Please answer in detail mentioning the evidence as I need a detailed answer.

Please go on with publishing if u want

Jazakum Allahu Khairan for your constant help

Yours,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr.

This money is Halal for the heirs of the deceased brother. If the money is paid directly from the employer account, it must be part of the employment benefit, many employers have such a system. it is like part of the salary of the deceased paid after death, it is Halal. If the money is paid from a special fund run by the employer, it is also a fringe benefit to employment; it may be contributed to by the deceased and by the employer together or by the employer only, it is also Halal on the same ground. If it is paid from an insurance company, directly to you or through the employer, it is usually a result of a collective insurance policy on the lives of the employees, it is not interest based, and Insurance, when not interest-based, is permissible (there are people who argue against insurance but I believe in its permissibiity in following the late Shaikh Mustafa al Zarka). It is also Halal InShaAllah.

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

SUBJECT: Working for Commercial Insurance Company

From: Islam on line

Sent: Sunday, September 05, 2004

Name of Questioner Nafees Country of Residence United Kingdom

Question

Dear respected scholars in Islam Assalamu Alaikum, May Allah reward you and Islamonline for you efforts in propagating the true message of Islam. Would it be permissible for me to work for commercial insurance company where: a) the majority of its income through car insurance b) the work is not directly related to the insurance process but the security of the organization's IT infrastructure I ask this question as I am going for an interview for such a company soon and do not want to earn Haram income. JazakAllah Khair.

Notes

I note that there are two views represented on the Islamonline website (i.e. that of Br. Monzer Kahf and that of other respected scholars) – this has left me slightly confused as I am not able to determine which opinion is more correct. I would appreciate it if you could touch upon this issue in your answer. JazakAllah

Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Nafees

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I certainly tell you that my view is more correct, but I still respect the other opinion. The argument in this regard is endless and this is of course normal and rather healthy! It is obviously your own judgment and heart that can decide for you.

I believe that insurance, if void of interest in the contract, is permissible as there is no reason for its prohibition. The arguments of gambling and gross uncertainty fall apart and do not stand any analytical scrutiny, and those who do not understand the complexity of contemporary life and transaction still think that they can live without insurance, at the time that it has become an indispensable part of life to the extent that almost all countries made certain kinds of it (car and other liability) obligatory by law.

On the other hand, insurance companies heavily invest in interest-based bonds and other financial instruments. This exposes a segment of their employees to be in the area of making Riba contracts. Accordingly, if your specialization is, as you said in the IT department, I see no reason why there should be any doubt about the permissibility of your work and your income from it.

Wa Allahu A'lam

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

Subject: Foundation of Islamic position on insurance

From: Khames
Sent: Wednesday, August 18, 2004

Question

Selamon aleikom

Can you please tell me what is the basis on which both opinions stand, e.g., Hadith or previous Fatwas by other scholars.

jazakom allah khairan

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br. Khames

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The basis of these two opinions is the several Ahadith that prevent causing injury and put the charge on the injurer for the damage caused to the injured. (of course we are talking about civil liability; criminal injuries require punishment in addition to compensating for the damage). The definition of what is the injury is opinionated, as there is no specific definition in any of the Sayings. Hence, some people expand its meaning and some others shrink it.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question

From: Islam on line

Sent: Monday, August 16, 2004

Question

alsalamualaikum I apologize for writing lengthy details but I am very distressed of this incident and want to correct it as soon as possible. Few years ago while visiting my parents who used to live in an Arabian Gulf state, I had a car accident while traveling with my father and brother I was sitting in the front seat next to my brother who was the driver we stopped at the traffic light junction in the city highway, and when the light turned green my brother started the car and turned left not noticing that the light is green forward only and not to the left hand side and not noticing that a car is coming at a high speed on the road crossing with the road we are on. alHamduLillah no one was injured, but our car and the other car were severely damaged. The other driver who is a native citizen started saying that we crossed red light but my

brother denied that (he in fact didn't know that he crossed the red light) and I kept silent the other driver then offered that no need to write any accident report and every one of us can pay for the repair of his car, but the police and ambulance arrived and a provisional report was written and both the sides didn't remember the story very well, but I still remember that we are at fault because my parents had a diplomatic status, we didn't have to attend any court hearing or give a statement under oath, but only signed a written statement and sent it to the police. Unfortunately I signed that we moved when the traffic light turned green and then had the accident (which is partly right, but does not say that it was green foreword not to the left side) the other driver didn't attend any court hearing and took his car off the accident scene before police inspection, and this allowed my parents to win the claim, and the insurance of the other driver paid us equivalent to 1800\$ we knew from the police that the other driver who was in his twenties was involved in a few speeding accidents and he might be involved in drug abuse, but I am confident that the fault in this accident was my brothers and not the other person. I kept silent for over three years because I was a student and didn't have any financial ability to pay back the cost of repair, but AlHamduLillah I can do that now as I started working. (I discussed this with my parents who thought that he was driving dangerously and he had accidents in the past, and in the first place he offered that everyone can repair his car on his own) the question is what should I do is it enough to contact that person and tell him the plain truth and ask for forgiveness offering financial compensation. or should I contact his insurance company and say that he was not at fault offering to pay back the insurance compensation or should I contact the police to change my statement, despite the fact that this occurred 3 to 4 years ago or is there any other solution or combination of the above for repentance of this false evidence (yameen ghamoos. Unfortunately my parents still think that the money we took is from the insurance company not from that person, and as he said in the beginning there is no need for police involvement and every party can pay for their own car repair, then there is no problem in what we did note that I am now in a different country, but still have contacts in that country where the accident occurred. jazakumallah khairan

Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Even after a few years, your false statement must be retracted and withdrawn. You don't have to go to court or police reports unless the other party needs it to clear his name. You need to contact the other party and the insurance company that paid the amount. Personally you are not required to pay back the amount unless you are the one who took it at the time of settlement. If your father or brother took the amount, you may still volunteer to pay it back on their behalf. It seems that the desire of the other party to "each one takes care of his car" was to avoid police because of his previous records. But that is not an excuse to make injustice to him this time.

Wa Allahu A'lam

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

SUBJECT: accepting out-sourced accounting from an insurance Company?

From: Islam on line

Sent: Wednesday, August 11, 2004

Name of Questioner Country of Residence Sri Lanka

Question

Assalaamu Alaikum, My Job is Accounts Associate in a BPO (Business Process Outsource) company under an Insurance Company Project (Norwich Union). Tasks are basic accounting activities which do not involve decision making but data processing. Most of the product of this insurance company has an interest clause. Is it Haram to work for this project? If I say no I have to leave the job. But do not hesitate to tell me if it's even doubtful. Jezakallah!!!

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Zameel

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Most scholars consider recording the accounts of Riba as part of writing it. Writing it is prohibited.

On the other hand, it may strongly be argued that writing the accounts, after contracting, is not part of writing the Riba contract because the Hadith talks about writing the contract by virtue of the fact that it adds the two witnesses (The Wrath of God is on the taker, the giver, the writer and the two witnesses). I personally go along with the second view but it doesn't mean that the matter is not doubtful!

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

SUBJECT: accepting out-sourced accounting from an insurance Company?

From: Islam on line

Sent: Wednesday, August 11, 2004

Name of Questioner Country of Residence Sri Lanka

Question

Assalaamu Alaikum, My Job is Accounts Associate in a BPO (Business Process Outsource) company under an Insurance Company Project (Norwich Union). Tasks are basic accounting activities which do not involve decision making but data processing. Most of the product of this

insurance company has an interest clause. Is it Haram to work for this project? If I say no I have to leave the job. But do not hesitate to tell me if it's even doubtful. Jezakallah!!!

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Zameel

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Most scholars consider recording the accounts of Riba as part of writing it. Writing it is prohibited.

On the other hand, it may strongly be argued that writing the accounts, after contracting, is not part of writing the Riba contract because the Hadith talks about writing the contract by virtue of the fact that it adds the two witnesses (The Wrath of God is on the taker, the giver, the writer and the two witnesses). I personally go along with the second view but it doesn't mean that the matter is not doubtful!

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Question

From: Habib

Sent: Saturday, August 07, 2004

Question

Dear Br. Dr. Monzer,

Could I kindly ask you to help with your insights into the following 2 questions, may the Almighty reward you amply:

1- Medical and life insurance: I live and work in the UAE. My company has a group insurance policies with ALICO for the employees and their family members whereby ALICO reimburses our medical expenses as well as give us a life & disability insurance. Is the medical refund we receive Halal and is this type of life insurance Halal?

2- Stock options: The company I work for is a global food firm. Whilst in the UAE its commercial activity is Halal, it is selling pork in other parts of the world as part of its portfolio of food items, further the company may earn interest on positive cash flow.

My contract with the company does not oblige it to give me stock options, however, as a mean of retaining employees and an as an incentive the company does offer me stock options. As you are probably aware how this works, the stocks would appreciate over time and once they are vested the employee can sell them and benefit from the amount by which the stocks appreciated. The company actually terms it this way:

The employee can buy the stocks at a fixed price after a number of years, which technically means the employee buy these stocks the same day he sells them and the principle would go back to the company.

Obviously the company could have bought (or reserved these stocks) for the employee through a bank loan. My question is it Halal for me to accept the amount by which the stocks appreciate as a pure financial operation (a company reward) and to do about the fact that part of it is due to non Halal activity (i.e., Selling pork or earning interest on deposits).

May the Almighty bless you.

Question

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Habib

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

1 - Insurance is permissible when it is not based on interest. Health insurance and term life insurance are not interest-based. They are permissible and the refund you get from the insurance company for medical bill is permissible. There are people who argue that insurance (of all kinds) is not permissible on the ground that it is similar to gambling, it contains interest or it contains a level of uncertainty that is not tolerable. I think their argument is weak and based on misconceptions about what insurance is.

2 - Employee stock options are, under normal circumstances permissible (unlike stocks options that are in the market under the category of derivatives. But if it is only a small portion (say around 10% of total transactions, total sale or total revenue, it is permissible to buy/sell its stocks provided that you estimate the percentage out of the gain you make out of this option that is attributable to the prohibited sale/transactions and give it away to Muslim charity.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Question

From: Azmi

Sent: Friday, July 30, 2004

Name Azmi - Sri Lanka

Question

Assalaamu Alaikum!

I am into accounting profession. I am working for BPO (Business Process Outsource) company in Sri Lanka. Our company does outsourcing for many UK co. The latest project we got was from an insurance company (Norwich union). So I am supposed to work under this project which outsources accounting activities (no decision making - only data processing). I want to know whether working under this project is Halal? If I reject this they said I have to leave the job. Please let me know.

NOTE : Norwich Union Also have many other products, such as travel guide, general insurance, fund management, etc.

May Allah grant jannah for your service, I want to know this on or before august 1st.

Wassalaam

Question

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Azmi

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

There are people who believe insurance is not permitted. I happen to be on the other side. I go along with the opinion of the late Shaikh Mustafa al Zarka (died July 1999) who argued that insurance is a new contract that does not violate any of the Shari'ah rules and principles and it is permissible. It is permissible to work for an insurance company too. I think your working for the accounting of this company is permissible InShaAllah.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

From: Azmi

Question

Salams. Jezakallah for your help

I still want clarify certain issues regarding this. According IslamOnline late Shaikh Mustafa al Zarka says "Insurance is permitted whether it is mutual, commercial or other kinds of insurances PROVIDED THAT THE CONTRACT DOES NOT INCLUDE AN INTEREST CLAUSE and the object of insurance is permissible in Shari'ah"

But the particular company (Norwich Union) which we are outsourcing accounting functions has clauses pertaining interest (we do not have any relationship to this other than post recording or data processing). Is it still permissible?

Looking forward your kind reply

Question

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Azmi

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Only certain kinds of life insurance policies are partially interest-based. All other insurances are not interest-based. If the major part of its activities is not interest-based it is still permissible to work for it or in it. What is prohibited with regard to interest is to take it, give it or be a writer or a witness to its contract.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Question

From: Islam on line

Sent: Monday, July 26, 2004

Question

Asalaam aleikoum dear scholars, In October of 2003 a car damaged my car at the right side and went off. I called the police for proof and around February 2004 I got the form which I sent to my insurance. A special foundation gives money for cases where the driver takes off. In the mean time I didn't repair the damage. I still didn't receive any letter stating I have right on money from that foundation. A few months later when I was parked another car hit me on the left side of the car. We filled in the forms and a police officer came. I also send this form to my insurance. My insurance told me to go to a garage and to make taxations on the damage. This had to be independently because right side damage is for foundation and left side is regular. The mechanic of the garage told me that to make the car look original by removing the damage of the right side he has to do the whole bumper. Total costs approximate 600 Euros. He made a taxation order of 600 Euros for the right side, the damage-expert who also came agreed. For the left side, to make the car look original he also has to do the whole bumper so this damage was approximate 400 euro's. So the damage of the bumper coincides. Although the damage of the left side is much smaller, to make it look original he has to paint the whole bumper and if you only paint that piece you will probably have a thicker and a thinner layer. If I had made the damage of October sooner, the damage of the left side would have been 400 Euros. The insurance needed two independent taxations which were approx. 600 and 400 Euros. I got approx. 1000 Euros. People tell me that we live in their country and if I had hit them they would never had let me go, so we have to respect their rules. But have I done something wrong? I know in Shari'ah if you for example hit someone by car and his hand gets injured you have to pay money for the hand oe allahoe a3lam.

Jazakum Allahu Khairan for your constant help

Question

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Car insurance is permissible in Shari'ah, more so, especially, when it is obligatory. Car insurance is meant for payment for repair and liability. Therefore it is also permissible to take the compensation, according to the rules of the insurance contract, up to the limits of the damage. What you've done is normal and the bumper must be repaired and painted by either of the two parties. It makes no difference whose hit came first.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question

From: Hossam

Sent: Friday, July 23, 2004

Question

alamu aliukum Dr Monzer

May Allah SWT reward you for all the time you spend helping Muslims with questions. I am writing on behalf of Br Muhammad (CCD) who asked me a question after Jumma today, which I thought to forward you, and learn from the answer as well.

Basically Muhammad was hit by a car. The accident broke his leg. He is considering seeking damage compensation from the person who hit him. His question is what are the allowable limits of such compensations?

There are the following categories currently being considered:

- 1- Compensation for the medical bills that are now being charged to Muhammad, specially ones that his insurance will not pay
- 2- Compensation for time that he was unable to work and therefore could not make money at that time (a new job that he was about to start but had to delay)
- 3- Compensation for the pains and injuries that the accident caused
- 4- Any others ...

Please explain to us the limits of seeking such compensations in the US while following the Islamic guidelines.

May Allah reward you

Hossam

Question

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi

wa Ashabihi

Ajma'in

Dear Br. Hossam,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I hope every thing is fine with you, it has been such a long time I haven't heard from you. This issue of damage compensation is flexible. May Shari'ah jurists argue that only the actual material damage caused to the injured is compensatable and many others add the psychological harm (pain, trauma, anxiety and worrisome) caused to the injured and to the injured family members. The Jordanian civil law that was enacted in the mid 1970's and derived from the Islamic Shari'ah adopted the latter view. The amount is, certainly, socially determined. Accordingly, if we take the position of the Jordanian Law, all three damages that you mentioned are compensatable and even a little more, namely: all medical bill including those paid by the insurance company (their distribution later depends on the agreement between the Insurance company and the injured), income lost for not being able to go to work as a result of the injury provided the court accepts it, pain, psychological trauma and sufferance caused to the injured and to her/his family members and care takers,

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Property Distribution

From: Yusuf

Sent: Wednesday, May 26, 2004

Question

Assalamu-Alaikum Br. Monzer Kahf

It was a short but valuable meeting at IMO, Toronto last year with you.

My father in law has passed away leaving some real estate, car and Life Insurance.

He has 3 children out of his first marriage (2 daughters married and 1 son

(25 yrs) unmarried) and one son (11 yrs) out of second marriage and step mother. He has left some debt with banks as well? There was 30K Ruppees cost of his last medical bills and funeral.

How should the distribution take place according to Islamic law?

I would appreciate if you may be able to give me some direction in this matter.

Wassalam,

Yusuf

My Answer

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Yusuf

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

You stated that the deceased left 2 sons and 2 daughters. He also left a step mother. He owed some debts to a bank and accumulated medical and funeral bills along with some properties (real estates, car and life insurance). THERE ARE NO OTHER RELATIVES.

The step mother has no share in the estate of the deceased. But before any distribution, debts to the bank and unpaid bills must be settled either by payment or waiver, even if some real estates have to be sold for that purpose. The balance, left after debts and bills, should be distributed as follows: 1/6 for each daughter and 1/3 for each son. Age does not influence the distribution.

The life insurance may be treated differently if the deceased had determined the beneficiaries. If he did, the assigned beneficiaries may take their assigned shares as per the life insurance contract. This different treatment is caused by the fact that proceeds of the policy were not owned by the deceased and they rather are due to the assigned beneficiaries from the insurance company only after his death. If there is no assignment the proceeds must be then added to the estate.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

SUBJECT: Working as Broker in Insurance Business

From: Islam on line

Sent: Saturday, March 06, 2004

Name of Questioner Muhammed

Country of Residence Canada

Question

Brother Manzar Assalam o allaikum. Thank you for your guidance. May Allah bless you. I still have a small doubt. In the Insurance business, if a customer pays the full premium then there is no interest otherwise the Insurance company charges some interest for monthly payment plan. About 99% of the customers take monthly plan and pays interest. Do you think still this business can be done as a broker?

Notes

This is a bit urgent. Thank you

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Mohammed

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

I still think that working as a broker is permissible as long as you do not take part in writing the interest part of it. Besides to my knowledge, the difference between monthly installments and one yearly payment is not usually written as interest although it is calculated on interest basis. If so even offering the choice by you becomes permissible because it is permissible to have a difference between cash payment and installments when the contract is made even if this difference is calculated on the basis of interest as long as the contract is not made on cash basis and interest added to make installments

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

SUBJECT: Retirement plans and insurance

From: Eric

Sent: Sunday, February 22, 2004

Question

asalamu alaikum,

this is Eric Farouq Sanchez. I was wondering if you can help me with my retirement plan. I am currently working for the government agency is customs and border protection.

I have the retirement called FERS and TSP. and right now I wanted to know if I was able to put 14% into my retirement and the government matches up to 5%. and there are certain kind of funds you can go into. the one I wanted to go into was this one called the c fund, which is the one that is the least stable one you can say. so InShaAllah brother or sister, if you can please send me information on where or if I am able to do what I would like to do. insha-ALLah you can reach me at farouq19@hotmail.com.

thank you brother/sister.

Question

asalamu alaikum

eric

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Eric

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

It is permissible to contribute to retirement plans, individually and/or through employers' plans like 401K or FERS and TSP and to get the benefits of the matching funds and the saving for retirement.

IRA can be invested with mutual funds that are compatible with the Shari'ah such as the Dow Jones Islamic index fund (IMANX) but employers' funds have only a few contracted funds and they do not offer other funds.

What you need to do is: 1) try to get the Islamic funds approved by the managing committee of your plan; 2) select, from available funds in the plan those that have the least transactions and holdings in bonds and non permitted stocks such as stocks of banks, insurance companies, entertainment buz., etc. and 3) when you liquidate, at retirement, you estimate the percentage of all the increments (dividends and capital gains) during all the period that resulted from non-permitted investments in these funds and give an equal percentage to Muslim charities of every amount you withdraw. This is needed to keep clean off the Haram your own Halal money.

Please brother, if I can be of any help to you at any time do not hesitate to contact me by email or otherwise as all my contact are listed on my website.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Question:

From: Taicir

Sent: Monday, January 12, 2004

Subject: a fatwa

Assalamu Alaikum dear Dr. Kahf

I was asked about a matter that I couldn't answer. I bet you heard about it and you had already in it a clear thought.

There is that type of insurance for mortgage: If the person buys a house through the bank, he can make a deal with an insurance company, so this company will pay the bank the remaining of the house cost, in case of the buyer's death, meanwhile the buyer as long as he lives pay the insurance company a monthly share.

Do you see that this type of insurance lawful? and why?

Juzita Khairan

Taicir

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Taicir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I argue that insurance is permissible provided the contract itself is not interest-based; and this is one of the types of insurance that is permissible. Yes, I received this question before.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA INSURANCE TAKAFUL 2003

Question:

From: Islam on line

Sent: Sunday, November 30, 2003

To: monzer@kahf.net

Subject: Life Insurance Policies

Name of Questioner Rizwan Country India

Dear Scholars, Assalamu Alaikum I have a question regarding Life Insurance policies. The companies operating in India offer two kinds of policies 1. Participating Policy and 2. Non-Participating Policy Their essential difference lies in their respective premiums and bonuses. While a Whole Life Participating Policy is eligible for bonuses two years after it comes into effect, a Whole Life Non-Participating Policy is not eligible for bonuses. According to the company representatives the government has made it obligatory for the company to maintain separate accounts for each type. The money from the participating policies is invested in interest bearing instruments hence is Haram according to various fatwa's I have read on this site. I am interested in finding out the status of a particular type of non – participating policy called term life insurance. These policies earn no bonuses or premiums. The money collected is not invested by the company and held in a separate account. Let me illustrate using an example. If I purchase a term life insurance, for a sum of 1000,0000 Rs for 10 years. I will pay a yearly premium of 4000 Rs. My family will get the insured amount if I die during this period If I am alive at the end of this period then I don't get back anything. Couple of points I would like to make keeping the various other Fatawa I have read on this and other websites • The amount pooled by the company is held in a separate account and is not invested at all. I think the account earns a minimum interest which adds to the companies profits. However, the company representative maintains that it earns no interest. • The more money I have the more I can get myself insured for. So the rich get more and the poorer get lesser depending on the premiums they pay. • I feel there is an element of gambling involved since the company is using probability and statistics etc in coming up with the premiums etc. and to remain profitable. Please let me know your opinion regarding this. A detailed answer will be appreciated Jazak Allah Khair

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Rizwan

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Insurance companies invest their money and do not keep it idle. laws and governments usually make restrictions on what insurance companies can invest in. Normally most of their investments are in treasury bonds and other interest-earning secured instruments. This applies to both types of policies participating or non, whole life or term life and any information an insurance representative may otherwise give you is not accurate!

However, In participating policies, you will have to be sure that what you are participating in is permissible or not from the Shari'ah point of view. Hence, if you place a Mudarabah deposit in a conventional bank the earning you get is not permissible because you are sharing interests earned from the uses of your money, although the Mudarabah contract is permissible and its profit is under normal circumstances Halal,

When you do not participate in the business of a depository like an insurance company, what matters is the essentials of the contract you have with it. Therefore, If these essential are compatible with the Shari'ah such a relationship is labeled permissible.

In brief (and for details please read about the issue in my website www.kahf.net under Fatawa - insurance), insurance contains an element of ambiguity (not gambling) that is called Gharar, but the amount of this Gharar is tolerable according to some scholars, according to them, term life insurance is permissible because the contract does not contain any interest element.

Some other scholars argue that this amount of ambiguity is not tolerable, this makes the contract prohibited. According to this group of Scholars, mutual insurance if the premium is given on the basis of contributing to the pool of funds (in contrast to being paid in an exchange contract) insurance becomes permissible although the amount of Gharar is still the same because the contract becomes a kind of cooperative/contributory contract and in Contributions (Tabarru': donation) Gharar is overlooked because a contribution/donation is a loss to one party and a gain to another (in contrast to give and take in exchange contracts).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Muhammad

Sent: Sunday, November 23, 2003 9:25 AM

To: monzer@kahf.com

Subject: Fwd: YOUR ADVICE IS NEEDED

Salam and Eid Mubarak

I forward this since you are an expert on insurance as well as on Fiqh al aqalliyat.

M.

From: usuf

To: Muhammad

Subject: YOUR ADVICE IS NEEDED

Date: Sun, 23 Nov 2003

dear Muhammad sahab

Assalamu Alaikum
dear sahab

is it permissible for a Muslim to work as development manager in an insurance company. keeping the condition of Indian Muslims the risk element attached to their lives and properties and no Takaful here. can I go and sell them financial security. Indian Muslims have lot of misconception about insurance and ulemas few of them add to it. your advice is needed and all the conventional insurance contracts in India are based on profit sharing model because the return on the investment is not guaranteed. your advice is awaited Allah hafiz. yusuf

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh and Eid Mubarak to you too.

May I begin with the last note on profit sharing. You know it is not sufficient that a company distributes variable return to make it permissible. There are two more conditions: 1) the contract must be based on de facto ex post return that is the variability is not in a loan based- relation but rather is in an investment (Mudarabah) based relation that makes the distribution of profit as a percentage of realized profit and losses on capital (no guarantee of principal); and, 2) the use of funds must be Halal. This means that even if the contract is Halal between partners their investment must be in permissible activities. Do conventional insurance companies in India invest their money in government bonds and other interest-based assets or in permissible business and trades?

However, the previous point is, in my opinion, immaterial. I take the position of the late Shaikh Mustafa al Zarka that insurance is merely an exchange contract (therefore it doesn't matter to it what the companies does with its other relationships) that is new, useful (and sometimes necessary), does not violate any of the general tenets of Shari'ah and it has similarity in the past, contracts that are recognized in Fiqh although they are based on risk. Besides it is actually based on cooperation in reality although this cooperation is brought about by a business venture, the insurance company; it is for all these reasons is permissible.

I add that it is rather necessary in the case of India where the risk on life and property of Muslims is higher than many other areas. I believe that the Fatwa for India must be that taking insurance is an obligation with regard to community properties such as mosques and highly encouraged for individual Muslims. Consequently, working in selling property and life insurance to Muslims is not only Halal but also recommended and rewarded InShaAllah. Additionally, why aren't Muslims in India able to establish Mutual insurance companies and use the same facilities of reinsurance that is available to other companies? (you know there is a Fatwa about conventional reinsurance because of the natural need of the business). Mutual insurance is normally easy to establish and is a win/win case for the founders. The model is creating a company that manages a pool of insurance and charges the pool a price for its managerial services.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Saturday, October 25, 2003

Subject: Life & Disability Insurance

Name of Questioner Abdul hamid

Country of Res. Saudi Arabia

What current position is Shari'ah compatible regarding life insurance and disability insurance? Shukran

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Abdul hamid

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

As usual on many new issues, there are opinions! I go along with the view of the late Shaikh Mustafa al Zarka that insurance, of all kinds and by whoever provides it is permissible as long as the contract does not contain a basic interest clause. regular or whole life insurance is usually interest based with regard to the investment part of the premium and the payment of a lump sum after certain number of years. Other kinds of insurance are not interest based.

There are scholars who consider it permissible only if it is offered by mutual or cooperative organizations and the premium is paid as a donation to the org.

There are also people who argue that insurance is prohibited.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Thursday, October 23, 2003

To: monzer@kahf.net

Subject: Purchasing a Warranty for a Product

Name of Questioner

Assalamu Alaikum. Is it permissible to purchase a warranty for a product? This is basically paying extra insurance so that if anything happens to it, the seller will replace it or bear the cost. Wa Alaikum Assalam.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br./Sr.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Warranties included in the price or added in the same purchase contract are permissible with no descent between the Shari'ah scholars that I know of.

Warranties purchased separately from the seller or from a third party are similar to insurance contract.

They are in fact one of the different kinds of insurance. What applies to insurance applies to them. Here there are three opinions: forbidden all the way, cooperative insurance permitted while insurance offered by profit seeking is not permissible, the third view is that insurance is permissible regardless of the provider as long as it does not have interest in its contract. I go along with the third view and I argue that warranties purchased separately are permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,
Dr. Monzer Kahf

Question:

From: Islam on line
Sent: Thursday, September 25, 2003
To: monzer@kahf.net

Subject: Is Takaful Insurance Halal?

Name of Questioner Nezar Country S A

Is Takaful insurance Halal? Even if it includes life insurance? And what about INSURANCE PRODUCTS TO COVER CHILDREN EDUCATION INCASE OF DEATH,THESE PRODUCTS ARE OFFERED BY Islamic banks and Takaful insurance companies! Please advice

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Nezar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Yes all Takaful Products are Halal even according to the most rigid opinions on insurance. That includes all their products, Life, children education (which is in fact a form of life under an attractive name), car, health etc.

The Takaful insurance companies in Saudia have their own boards of Shari'ah experts that studies and approves these products before they are offered to the public.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line
Sent: Tuesday, September 23, 2003
To: monzer@kahf.net

Subject: Whole Life Insurance policies

Name of Questioner Mohamed Country U S

Insurance financial transactions Question. Assalam Alaykum: Are Whole Life insurance policies permissible? where the annual premium is reduced by the amount of dividends received on the accumulated premiums. The dividends are determined periodically by the insurance company and are not considered interest. I believe that in prior Fatawa, your scholars have determined that Term Life policies are permissible, and Variable Value Life would be if the premiums are invested in permissible stocks or mutual funds.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mohamed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I think you got the Fatwa right, and it is still as it was!. If accumulated premiums are invested in permissible stocks and what is paid on them is a profit, the reduction in future premiums becomes permissible and this kind of whole life (provided it has no other interest-based accumulation) becomes permissible. Please notice that if interest is variable and determined periodically or if it is called dividends, it remains interest and remains prohibited. Also notice that normally whole life insurance is based on placement of the "investment part of the premiums on compound interest. can you get more information on this specific whole life and send it to me please.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Sunday, December 28, 2003

To: monzer@kahf.net

Subject: Working as Actuary, Statistician and C.A

Name of Questioner Muslim

Assalamu alaykum dear scholars. I am confused about my life. I inSha'Allah will attend university next year. I want to major in math but I look at the careers in math and they are all Haram except for teaching. What is wrong with being an Actuary? Or a Statistician? Or a C.A.? Why can't we work for insurance companies? may Allah reward you.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I pray to God the Almighty to remove your confusion and set you on a track that is right and growth oriented to you and your family. You know that Islam like any other religion always look at equipping people with moral standards and values that help make life better and more fulfilling to the person and to the society as well. Moral standards are always demanding in a sense that they impose on the person a set of "do and do not," in order to produce the way of life that is nourished by the religion. God, The Exalted in Praise and Might, only ordained the "good" and forbade the "bad." [the Qur'an 7:157]. This religion is consistent in its pursuit of the moral values this implies that what is prohibited to do is also prohibited to offer or sell. Yet, we must look at the prohibitions in a strict way so that we do not expand on the prohibition beyond what is stated in the texts and rules of Shari'ah. I don't think that prohibitions are large and as covering as you thought in your question.

Hence, while the prohibition of drinking alcohol requires a prohibition of producing and selling it and the prohibition of interest requires also a prohibition of writing interest-based contracts or being a witness to them, working in companies that produce or do things that are mixed (some permissible and some not permissible) is not forbidden as long as one can avoid doing any forbidden thing.

For instance, actuarial, certified accountant and statistician professions are not forbidden at all because there are no forbidden components in these professions. Also working for an insurance company or for a bank in areas that are not forbidden is permissible because banks and insurance companies undertake activities that are prohibited (interest based) and activities that are not (insurance itself is permissible if

the contract is not interest-based and the insured is permissible, i.e., it is not permissible to insure a shipment of liquor).

There are people who believe that insurance is itself prohibited, I think that is incorrect. But according to these people working in an insurance company becomes also forbidden.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Wednesday, September 17, 2003

Subject: Insurance in schools

Name of Questioner ABDELKAREEM Ccountry Jordan

ALSALAM ALUIKUM, I WORK FOR AN ISLAMIC SCHOOL IN COLUMBUS, OHIO, IN THE USA, AS A TEACHER. THE SCHOOL OFFERS LIFE INSURANCE IN WHICH I DO NOT HAVE TO PAY ANYTHING TO IT BUT THE SCHOOL DOES. THE INSURANCE IS 15,000 DOLLARS, TO BE PAID TO MY FAMILY AFTER MY DEATH. SO I WOULD LIKE TO KNOW PLEASE IF IT IS HARAM OR NOT TO DO THIS. JAZAKUM ALLAH KHAYRAN, WA ALSALAM ALUIKUM

Notes

SHOULD YOU NEED FURTHER INFORMATION PLEASE LET ME KNOW AS SOON AS YOU CAN.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. ABDELKAREEM

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If you work in Ohio then your country of residence is the USA not Jordan. We are not asking about legalities we ask about where you live because that may affect the Fatwa. You know certain issues apply in certain localities but not in others.

The life insurance offered by your school is "term life insurance." It doesn't contain any interest in its contract. It is permissible. This is the Fatwa of the late Shaikh Mustafa al Zarka (died July 1999) that I support and argue for. Beside being the greatest Shari'ah Scholar of his time, the Fatwa is based on solid ground of understanding both the insurance (many of those who oppose it do not even know what insurance is, very often you hear the word that life is in the hand of God how can you insure it?! life insurance as you rightly said pays an amount in case of death, it does not insure life!) and the general objective of Shari'ah in addition to its similarity to ancient contract that are known in Shari'ah for centuries. There are people who say insurance is forbidden and there are people who argue that only mutual insurance is permissible. The Zarka opinion is that if the contract is not interest base and the object of insurance is permissible (e.g., insuring a shipment of liquor is not permissible), insurance is permissible, be it life, car or any other incidence.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Thursday, September 11, 2003

Subject: Money Received from Life Insurance Policies

Name of Questioner Abdul Country. U K

as-salaam-Alaikum My father passed away recently. He had a number of life insurance policies and an endowment policy which has paid out on his death. I will receive some of this money as inheritance. Is the money Halal? I have been told that I can only take the amount he has put into policies and the rest must be given away? If this is true does each policy have to be treated separately. For example there are 2 policies: With policy A we get less than what my father put in and policy B where the money we receive is more than my father put in. Can we take money from policy B to fill policy A? Also what if I can't establish exactly how much he put in? May Allah (swt) reward you Jazak Allah Khairan as-salaam-Alaikum

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Abdul

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

There are people who say that insurance is forbidden and any money you get from it is not Halal.

The late Shaikh Mustafa al Zarka believed insurance, including life, is permissible and Halal. According to his opinion the money you get from the policy is permissible. (there is one kind of life insurance that is Haram when the company pays you the amount of the policy while alive because this amount will be the investment premiums plus their compound interest.

Insurance is a very useful contract that, when it is not based on interest, does not violate any Shari'ah principle. I go by this opinion of the late Zarka (circa 1999) who was the undisputed most respected Shari'ah scholar of our time.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Ibrahim

Sent: Tuesday, September 09, 2003

To: monzer@kahf.com

Subject: RE: unemployment insurance

Assalam Alaikum Dr. Kahf:

I would like to know if unemployment insurance is permissible.

Jazakallah

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ibrahim

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Insurance is permissible if the contract is not based on interest clauses and the subject of insurance is permissible. Accordingly unemployment insurance is permissible.

You should know that there are people who argue that insurance, of all kinds is prohibited. I think they are wrong but they are entitled to their view because the issue is not mentioned in the Qur'an or Sunnah and people may have different understanding of it. I believe insurance is permissible. In this I follow the opinion of the most renowned Shari'ah Scholar of his time the late Shaikh Mustafa al Zarqa (died in July 1999).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Monday, August 11, 2003

To: Monzer Kahf

Subject: Insurance

Name of Questioner sanan

Country Pakistan

Assalamu alaykum scholar I want to ask in details what is the function of insurance is hall or harm and interest is include in the amount of insurance policy and please tell me background of the insurance thank for this web sits www.islamonline.com that give us more information about Islam

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. sanan

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Insurance is a contract between a company and an individual according to which the individual pays an amount called premium once a year, on installment or as a lump sum and the company pays a given amount or provide a given service, like repairing the car or providing medical services, in case an incidence happens such as illness, car accident, fire, earthquake, death, etc. There are different kinds of insurances as much as there are hazards. Hence, there is car insurance, medical insurance, shipping insurance, transportation insurance, fire insurance, theft insurance, employment insurance, death insurance (to appear nice it is called life insurance) and insurances of all kinds of hazards.

Insurance is based on the theory of probability and past statistics. For instance we know that in a given city, the chance fire and other hazards that may affect building is so much per thousand and the average cost of repairing is a certain amount, and if we insure ten thousand houses and collect certain premium from each we can pay compensation to all hazards that may happen in a given period and still have some profit for the company in addition to its operating expenses.

There are different ways of offering insurance. It can be offered by companies that seek to make profit as any other business venture and it can be offered on a mutual or cooperative basis whereby the concerned persons make a kind of association to offer insurance at cost.

You notice that insurance has nothing to do with interest. Yet certain forms of life insurance offer an interest-based saving plan along with insurance in one package, so they tell you if you do not die we will give a certain amount after 20 years. in this case the premium is actually divided in two parts one for saving that will make that amount paid after 20 years at a given rate of interest and the other part is

called risk premium that will be applied to the insurance itself. The part that contains interest is obviously forbidden.

There are two main opinions among Shari'ah scholars on insurance: permissible or not. Those who prohibit it found their opinion on the point that the company does not know when an incidence will happen and does not know its cost. this kind of ambiguity renders the contract invalid according to this group. Others argue that since it is very useful and rather necessary in many instances and this ambiguity is not the kind that may lead to litigation because the incidence upon which it is suspended is well described the contract is then permissible.

I tried to give a non-sophisticated answer so that every non-specialized reader can understand it. but if you are interested in more detail please either write me again or make some reading on the subject, there are many books in all languages.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Saturday, August 09, 2003

To: Monzer Kahf

Subject: Car Insurance

Name of Questioner dina

My question is regarding car insurance. If u are buying a car by installments. You automatically have to pay insurance fees for the car as long as its on insurance base so that if an accident occurs the insurance co. pays on your behalf. So what is the rule for car insurance. Thanks

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Dina

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Car insurance is permissible whether you buy on installment or not. It is the only way to assure the rights of other persons without placing too much of a burden on the car owner/driver. Even those classical scholars who argue against insurance in general do not stand hard in the case of car insurance. IT WRONG AND UNWISE FOR ANY PERSON TO DRIVE A CAR WITHOUT CAR INSURANCE, AT LEAST LIABILITY TOWARD OTHERS INCLUDING THE CREDITOR OF CAR DEBTS. It is un-imaginable to think that our Shari'ah allows a person to behave wrongly or unwisely!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Jessica

Sent: Monday, June 23, 2003

To: monzer@kahf.com

Subject: Question

Assalamu Alaikum Brother,

My name is Sr. Jessica Smith. I received your email address from Sheik Ibrahim Malabari from Jami Mosque in Toronto Ontario.

I have a question regarding inheritance. My mother died a few weeks ago and I recently found out from my uncle that she has left behind a small insurance policy. This policy had originally been bought by my late grandfather and was passed down to my mother from my grandma. The total amount is \$10,160 Canadian.

The money would be used to help pay for funeral expenses. My uncle told me that whatever money is left over--he would divide it equally between my brother and myself.

I was wondering if it is ok for me to accept this money. I should let you know that I am the only Muslim in my family. I know that Convert Muslims can inherit from non-Muslim parents.

If I cannot keep this money--what should I do with it? I don't wish to give to my brother because he most likely uses it to buy alcohol or tobacco. I don't want to see my mom's money going to support a dirty habit such as this.

Thank you very much for your time brother. I look forward to hearing from you inSha'Allah

Wassalam

Sr. Jessica

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Jessica

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1)- The argument that this is not inheritance is very strong and convincing because the definition of an estate (that can be inherited) is what the deceased owned in the deceased life time. The benefit of life insurance was not owned by the deceased. It is due to beneficiaries only upon the demise of the insured. On the basis of this Islamic insurance companies accept assigning beneficiaries other than the heir and to the heir in different proportions. This means you can take any share equal to your brother or not it doesn't matter. This is not affected by the argument that insurance is permissible or not because you did not make the insurance, you are (in a sense) a beneficiary only.

2)- I believe that inheritance from non-Muslim is not valid. This means that if we are in a country that applies the law of Shari'ah on estate distribution, there must be no inheritance when a difference in religion exists between the deceased and a potential heir. It also means that an entitlement to a Muslim by virtue of non-Islamic laws in non-Muslim countries is not inheritance (as defined in our Shari'ah) it is a gift granted by the law of the land. It is permissible for any Muslim to accept gifts given to her/him by any person or by virtue of the law of the land as long as taking this gift does not involve a violation of Shari'ah. There is violation of Shari'ah in accepting a property assigned by in a last will, insurance policy or by the government such as grants, scholarships and welfare.

3)- Once you own a property, you have a free hand to do anything, it is Halal InShaAllah to use it for your own expenses, give as a gift or donate it for Muslim charity hoping that God will reward you many folds.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Tuesday, July 15, 2003

To: Monzer Kahf

Subject: Buying a Washing Machine

Name of Questioner walid

Salaam, I wanted to buy a washing machine. The price of the machine included one year warranty by the manufacturer. The retail store that is selling it is also offering a 3-year service plan. The plan covers the cost of repair in the coming 3 years, in case anything goes wrong. The service plan costs additional money that I have to pay. Is the service plan permissible to buy? or is it Haram?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. walid

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The one year warranty by the manufacturer is permissible as it is part of the same and the responsibility of manufacturer toward the dealer and then you.

The maintenance plan is permissible too according to the view that accepts insurance. It is a form of insurance. It is rejected by those who reject insurance, please see my opinion on insurance in answers to other questions. I think a maintenance plan is permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Jessica

Sent: Wednesday, June 25, 2003

To: Monzer Kahf

Subject: RE: inheritance insurance mutual funds welfare

Assalamu Alaikum Dr. Kahf,

I just wanted to let you know that I tried looking up t he Dow Jones Islamic Index Fund--the web site mentioned that this is only available to residents of the United States (I live in Canada). The web page is also being recreated.

However, I did find a group called AMANA (the symbols are AMANX and AMANG) They make arrangements for Canadian and international investors.

But are Ethical Funds listed in the IMANX? I'm asking because it seems from your answer in your previous email that I won't be able to invest in most mutual funds that are available here in Canada. The only exception being Ethical Funds---but I think I saw

something on a Muslim investment web site that explained to exercise caution even with these ones.

Which funds are listed in the IMANX? I'm asking because there could be Canadian equivalents. Thank you very much Dr. Kahf. I'm sorry to keep bothering you--but I just want to make sure that I do any sort of investing correctly. :)

Wassalam

Sr. Jessica

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Jessica

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I am answering to your two emails together.

- 1) I don't know about the availability of the Dow Jones Islamic Index Fund in Canada.
- 2) Amana funds also say they follow Islamic rules, they put their own rules that do not always coincide with the rules of the Shari'ah board of the Dow Jones that is headed by Shaikh Taqi Osmani.
- 3) Insurance, life and others, is permissible according to the opinion of very prominent scholars. Others say all insurance, health and others are not permissible because they contain ambiguity as to the day an amount is due from the company (because you don't know when an incident is going to happen). I go along with the first opinion that is shared by the late Mustapha al Zarka (died in 1999 and was recognized as most knowledgeable Shari'ah scholar in the world) and the late Maududi and others.
- 4) Ethical funds usually contain heavy investment in the banking and finance sector and in companies that have high percentage investment in interest such as General Motors that owns Citibank and American Airlines. The reason is that today's Christian ethics does not find interest any thing bad, although it was bad in the bible. This means that the ethical funds do not coincide with the Islamic criteria on the matter of interest. They may also invest in the film industry that is mostly unacceptable in the Shari'ah.
- 5) In Canada you have the option to invest in the Islamic Housing Cooperative (find it on the internet with ISNA Canada. The rate it was giving is really good.
- 6) Most people above 50 in the US and Canada know me, I left the North American Islamic gathering for the period I worked in Jeddah as a Senior research Economist in the Islamic Research and Training Institute from 1985 to 1999.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Jessica

Assalamu Alaikum Dr. Kahf,

This is Sr. Jessica

Sorry to keep on bothering you, but I really appreciate all of the information you are giving me--May Allah reward you :)

The mutual funds my husband and I were thinking of investing in are called "Ethical Funds". Ethical Funds mean that our money will NOT go to things such as: tobacco, alcohol, firearms/weapons or child labor. We would NEVER invest in any company that sells Haram things or promotes exploitation of any kind.

I am glad to know that it is ok for me to keep the portion of life insurance money that my mother left for me. It was suggested to me by one scholar here in Toronto that I use the money to pay off any interest bearing loans I have or to give the money away to non-Muslim charity causes--that I should not use the money to "benefit" myself in any way. But I found this argument strange because--paying off debts does benefit us. In Islam we're told that we should try to stay out of debt as much as we can--especially interest bearing debt.

However, I noticed that many Muslims here in Toronto are not familiar with your name or with what you do--maybe that's why I got some conflicting answers about my mother's life insurance?

I do have one thing that I have been promoting to my Muslim friends. My husband and I don't deal with a regular bank--we use a credit union. The one we use is excellent. For a regular checking account--they do not give any interest (Riba). Also, the service is wonderful--since Sept. 11 my husband and I received terrible treatment at regular banks. When we switched to the credit union---we've been treated with a lot of respect.

But Dr. Kahf, is it Halal for Muslims to take out life insurance? The only reason I would be to help my family pay for funeral expenses and any debts I leave behind after my death. My husband has life insurance--but that's part of his health and benefits package that he received from his employer.

Thank you very much Dr. Kahf. I have been letting Sheik Ibrahim Malabari from Jami Mosque know about the information you've been giving me--he's been quite curious too.

Have a great day.

Wassalam

Sr. Jessica

Question:

From: Jessica

Sent: Tuesday, June 24, 2003

To: Monzer Kahf

Subject: RE: Question

Assalamu Alaikum Dr. Kahf, this is Sr. Jessica

Thank you very much for replying to my question. However, I just want to be 100% sure understood what you explained in your letter. Since my mother was not a Muslim and I am a Muslim, then I am not considered an "heir" in the sense of Islamic law---but I am considered a "beneficiary".

Since I am a "beneficiary" then the portion of my mother's life insurance policy (however large or small) is to be considered a "gift" or a "present" that I can use in whichever way I wish.

Do I understand this correctly? Please do correct me if I'm mistaken. I was also wondering. Is it permissible for me to invest in Mutual funds? I spoke to my financial planner and he mentioned that not all mutual funds deal with interest (Riba).

You mentioned in your email something about welfare and scholarships. Is it Haram for Muslims to apply for welfare if they I applied and received a bursary from my college to pay for special equipment I need (I'm disabled). Bursaries are like a gift--there's no interest and you don't need to pay the money back.

Thank you very much Dr. Kahf I appreciate your time. Keep up with the great work.

Wassalam

Sr. Jessica

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Jessica

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Yes, you put perfectly right. It is a gift from non-Muslim -by will or by law- and it is a beneficiary's right not inheritance because it was not owned by the deceased.

One more YES for welfare and scholarships as long as one does not lie to the welfare agency. It is an assistance you deserve as a resident/citizen of the country from the government budget, it is Halal/permissible to take. It is not permissible to give false information because that is a lie.

Investment in mutual funds is a big question. Mutual funds are pools of money managed by a manager who invests in stocks and bonds. There are a few funds that specialize in stocks and others in bonds.

Investment in bonds is forbidden because they are plain interest-based loans. Investment in stocks makes you part-owner of the company. If the management of the company deals with interest or other prohibited activities (e.g., taking loans from banks and depositing on interest in banks, owning a casino or a wine brewery) it does that in the name and on behalf of all partners. In other words, as if you did it yourself because the management is the agent of owners. It is forbidden for any Muslim to undertake such prohibited activities. Consequently the principle is that it is forbidden to invest in stocks of companies that sometimes deal in Haram although their main line of business may be permissible. This is the view of the OIC Fiqh Academy.

Some Scholars argue that this puts many Muslims like you and me in great inconvenience because they cannot invest for their own selves and this might be the only way they can invest their savings. To remove this kind of great inconvenience they argued that if such deals make only a small part of the activities of the company it is then permissible to invest in its stocks provided you give away for charity the part of the gains that you estimate it has come from un-permissible activities. This minority group put forward a few criteria to assure that the forbidden deals are really a small portion of the company's activities. On the basis of these criteria the Dow Jones company started in February 1999 publishing names of companies that fit these criteria and a series of Islamic market indexes.

Investment in these companies is permissible according to the view of this minority.

To my knowledge there is only one fund in North America that follows these indexes it is called the Dow Jones Islamic Index Fund (its symbol is IMANX, you can check it on the internet). There are several other small funds that invest in stocks within the list of the Dow Jones Islamic market indexes, i.e., they invest in stocks that are permissible according the minority's view. In the Middle East and Malaysia there are more opportunities for funds that invest within these limits.

You must keep in mind that trading and owning stocks of companies that are committed to follow the Shari'ah rules, such as Islamic Banks, is unanimously permissible. There are very few companies in this category and non of them is listed in any Western stock exchange market. Also buying, owning and selling stocks of companies that deal essentially in Haram such as conventional banks is agreeably not permitted.

Did I not confuse you yet? In Summary, almost all mutual funds available in the US and Canada, except about 4 or 5, do not limit their investment to stocks within the DJ Isl. List. Investment in such mutual funds is even according to the minority is not permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Ahsen

Sent: Sunday, June 22, 2003

To: Monzer Kahf

Subject: Insurance

In the name of Allah, Most Compassionate, Most Merciful

Dear Dr. Kahf,

Salam Alaykum,

From an intuitive perspective, your views on insurance seem plausible. Although, I would like to receive your views on the following points regarding insurance: 1) Religious 2) Scientific.

1) Insurance in any form seems to me to be an attempt to safeguard against the Will of Allah. We pool our money because we fear an accident or disaster will cause us to lose our property and therefore

make us poor. Allah says in the Qur'an again and again that He bestows His bounty on whomever He wills. So shouldn't we just trust in Allah that nothing will happen, or that if something does happen, He will grant us the means to recover from it, or the patience to accept it?

This is not the Islamic concept of understanding the will of God. It is a Hindu and ancient Christian concept. The Islamic one is based on escaping from the Will of God to the Will of God as Omar the second Khalifah put it when he was asked why do you escape from the land that was plagued with a contagious disease. Insurance is also a will of God. When a Bedouin came to the prophet, pbuh, and left his she camel untied and told the prophet that she is under the Will of God and he depends on God. the Prophet, pbuh, told him: hold it tied to the post and then depend on God.

2) From a more worldly viewpoint, insurance companies do more than just take compensation for managing people's money. They calculate the probable risk of a proposed client (through past statistical data), reject those that have too much potential risk and charge the clients they do accept a premium that is far out of proportion to either the risk they assume or the work that they do. In fact, the fewer claims they have to pay, the less work they do, and the more money they make. If any customer files too many claims, the insurance policy will not be renewed by the company. The insurance company virtually guarantees that it will make money by only insuring low-risk customers and charging them a disproportionate premium. If anything unexpected like the September 11 attacks happens, they lobby the government to limit their liability, rather than pay out the claims which they are supposed to.

This is incorrect and it only happens when there is no competition. Notice that the insurance companies are not the highest paying dividends nor the best return giving on capital. It happens to a larger extent today with Islamic insurance companies because they don't have competitors in most of the countries they are in. It is true they estimate the risk they carry and this is very legitimate business. If you make a cooperative insurance do you think we are going to accept any body that knocks at the door? how about a reckless driver who is a high risk? why should accept him and why should he expect to be accepted? we'll certainly tell him go and improve your record and correct your driving habits then come for insurance. . . Islamic companies do the same if they are smart. unfortunately most Muslim countries do not have actuarial studies of their own and Islamic and conventional insurance companies in these countries use European and American studies that do not represent their societies.

We do not agree with many of the American corporate values of inhumane money making and all moral persons from all religions and non- religions stand on our side in this. But that doesn't mean the we are blinded by this disagreement to an extend that we do not sense where is the real illness. It is not in the idea of insurance, it is the loopholes in the system and the moral vacuum within which corporate America lives.

If the idea of safeguarding against the misfortunes of life is acceptable, then it is conceivable to design an Islamically acceptable insurance system, including the compensation of one or more administrators. Those administrators, however, should be paid based on the amount of work that they do, which is not currently the case. I honestly do not see how simply removing the element of interest from the current insurance system would make it acceptable, as it collects much more money than is needed to pay the claims, and more than is fair for the amount of work that they company does.

Please share your thoughts on this issue with me.

With prayers,

Ahsen

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ahsen

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

please see my answers down
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Monday, June 09, 2003

To: Monzer Kahf

Subject: Making Appointments for People Contacting A Health Insurance Agency

Name of Questioner Muslimah

Country U S

Assalam Alaikum Wa Rahmatullahi Wa Barakatuh Bismillah Dear Learned Scholar, Thank you so much for all of your efforts as this site has helped us so much. Alhamdulillah! My question is regarding financial matters. I have been offered at job from home, which we know for Sunnah is better for the woman to stay at home then to work outside. This job entails making appointments for people who have contacted a local health insurance agency and are waiting for a reply. I would be only making appointments and faxing the appointment times to the head of this particular office. I have read Fatawa on this issue and remain still dumbfounded as I cannot find a clear answer. I wont be signing contracts, nor witnessing them, and I really am not even sure if this company is Riba based. I would like to know, if I can do this job, and two, if that depends on if the business is Riba based, how do I find that out for myself, as the boss is Muslim and if I ask him and he knows it is Riba based it will make problems for my husband as they are long time friends. Really my husband and I don't want to take money that isn't Halal...Thank you so much in advance for your help. Barakallahu feek!! Jazakallah Khairan!!

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Muslimah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Health insurance business is not Riba-based. Please be assured of that.

Insurance business, all of it, i.e., insurance contracts between an insured and an insurance company/agency is controversial. Two main opinions about it among the Shari'ah scholars: 1- It is forbidden because it contains ambiguity (Gharar) since it has unknown obligation on the part of the company (you don't know at the time of contract what will happen to the insured, when it happens and the cost of it), Scholars of this view argue that if insurance is conducted on cooperative basis the ambiguity will be overlooked because cooperation is contributory by nature. 2- the second opinion is that all kinds of insurance are permissible provided they do not have Riba and the subject of the contract is permissible (e. g., insuring a shipment of liquor is forbidden). Only certain life insurance contracts contain Interest, other insurances (health, hazards, cars, shipping, etc.) are not interest-based. The basis of this opinion is that it is a useful new contract that does not violate any of the tenets of Shari'ah, it has precedents of similar permissible contracts in the classical Fiqh, the amount of ambiguity in it is tolerable especially that insurance companies formulate their programs on the basis of the actuarial studies (on the theory of probability), hence when dealing with a large number of insured statistics replaces the knowability of incidences of insured hazards. I go with the second opinion.

In brief I believe your working in such a company/ agency is permissible and your income from it is Halal InShaAllah.

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

Question:

From: Ahsen

Sent: Sunday, June 08, 2003

To: Monzer@Kahf.net

Subject: Probability and Risk

In the name of Allah, Most Compassionate, Most Merciful

Salam Alaykum dear Sir,

I am very impressed by your knowledge and contributions to Islamic economics. I would like to ask you two questions:

1. Is use of probability for future calculations allowed in Islam? Especially since probability is simply a ratio of past occurrence of events. Is it permissible, and more importantly, sensible to assume a correlation between past events and future events?
2. How can we define risk in Islam?

I will thank you if you will answer me.

May Allah bless you.

Your brother in Islam,

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ahsen

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Thank you for your complement.

I am not the kind of person who hastes to incorporate an Islamic element/character in every thing. For instance there is no definition of production in Islam, and no definition of eating. Nothing can be called Islamic production or Islamic eating. Not doubt there are manners in both but manners do not change nature or argue it! In my opinion there is no definition of risk in Shari'ah and there is position about the use of probability theory in extrapolations. Meaning both are circumstantial.

Isn't it a fact that every merchant when she/he buys certain goods makes a mental calculation of the future, certainly based on past experience? Projection and formulating expectations are natural human practices that are associated with every single action normal human beings take day and night. Even in prayers and good deeds we are given certain basis to calculate estimated reward from God.

I'll rephrase your question. Can probability be part of a contractual relationship? No, But. No because in contractual relationships there must be definite knowledge of what you take and what you give so that the exchange can be balanced. BUT because probability can be an inside or mental foundation on whose basis a party enters into a contract. If I tell you take this rout for your Caravan and I guarantee that you will not be exposed to looting on your way, I am entering in a legitimate contract with you for which I can be compensated and I based my entering in the contract on my past knowledge and understanding of probability. The same if I guard your building against theft and guarantee the result of my job but a theft happens. I founded my contract on past experience extrapolated into the future. Notice here that probability is not part of the contract. the contract is clear that if an incidence happens you get

compensated. On this basis insurance becomes permissible if it has no prohibited causes such as interest provided the subject of insurance is permissible.

Risk is also a general thing that characterizes processes or actions. For instance risk management in Islamic banks is not really different from risk management in conventional banks except in the basket of alternative processes that a manager can take, i.e., there are actions that can be taken in a conventional bank that cannot be taken in an Islamic one and vice versa. Risk management in any other business is about the same. Risk cannot be an exchangeable item in a contract although economists very often confuse Shari'ah specialists by claiming that risk is part of a contract. In fact risk can only characterize the element on which a party may enter into a contract, it makes a background of a contract not an exchangeable item within it.

Remember that when we use the probability theory we can convert - a priori only - risk into certainty but the real life doesn't know that. In real life one thing will happen only not a probability and regardless of probability!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Thursday, May 22, 2003

To: Monzer Kahf

Subject: Guaranteeing Products in Islam

Name of Questioner

Dear Sir: Is spending money to have a guarantee on certain product for a certain period is Lucite in Islam?? If yes, what is the conditions controlling such matter? Thank you

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I don't know what do you mean by the word Lucite, is it transparent? I assume you are asking about Shari'ah opinion!

If you pay a higher price at the time of purchase for an object (e.g., a car) in order to include a maintenance warranty like what is practiced under the name of extended warranty to five or seven years this is permissible almost unanimously to the best of my knowledge.

On the other hand buying an independent maintenance agreement that gives this kind of warranty is not so much agreed upon. It is in fact a kind of insurance. Those Muslim scholars who argue that insurance is permissible see this contract permissible too. While those who prohibit insurance on the basis of ambiguity with regard to the exchangeable obligations of the two parties consider this contract prohibited too on the ground that you don't know what service the object may need and at what time.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Sunday, May 11, 2003

To: Monzer Kahf

Subject: Selling Credit Cards, Insurance, etc. on Phone

Name of Questioner

Assalam-o-Alaikum! Dear Brother, I am a Muslim living in a Muslim country. I work in a "call centre". Only if you don't know, it's a centre for telemarketing. It's based in a Muslim country and I am an employee there. As we sell products on phone, the product range might include any item available in the (Non-Muslim)market of USA, as we deal with them. So, we will have to sell things like credit cards, insurance etc. or our service for insurance companies, brokerage houses etc. It might include other Haram items that might get into list later on. Is it Halal to sell these items or not, and should I resign if it's not? Could it be the case that I stay there and subtract the portion of my salary that I earn through sale of Haram items but keep it from Halal? I have no other job in queue so I shall have to wait in case I leave this. N.B I have some basic knowledge of Fiqh so please don't hesitate to mention the rules. Jazak-Allah! Wassalam!

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Credit cards of conventional banks and financial institutions (I'm only excluding credit cards issued by Islamic banks) are prohibited to issue because they include a Riba condition in case of failure to pay within the grace period. Selling the prohibited cards must be equally prohibited because sale is actually part of issuance. Insurance is not the same as insurance is not agreeably prohibited. One kind of life insurance is unanimously prohibited. It is the interest based kind. other insurances (hazard, cars, health, etc.) are controversial. Some believe in their prohibition on the basis of Gharar and some argue that whatever Gharar that is in them is tolerable because it is not more than what is usually tolerated in similar contracts that are known in Shari'ah. I go along with the second view. Consequently, except for the interest based kind of life insurance selling insurance is permissible. Selling products than contain porno, drinking alcohol or eatable pork ingredients is prohibited. If your job does not require you to personally sell any prohibited substance, what you do in it should then be permissible and you do not need to change it. But living in a Muslim country, I am sure you can InShaAllah find other jobs if your present work requires you t sell prohibited substances

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Wednesday, April 30, 2003

To: Monzer Kahf

Subject: Working in an Insurance Company

Name of Questioner Yusuf

Country U K

As salaam o alaykum I am presently in the final year of my Mathematics degree, I finish in about a months time. Now, armed with a math degree inSha'Allah one of the most common areas for me to go to, is banking and finance. Now, at the same time I am not a scholar, and as such would find it difficult to differentiate between what is Islamically acceptable or otherwise. Is it acceptable to become an Actuary or perhaps to work in an insurance company? Alhamdulillah, I do not necessarily have to go into finance. Any advice rendered would be eternally appreciated.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Yusuf

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

There is no doubt that jobs differ from the point of view of their implicit and explicit reward and permissibility. Some jobs are not permitted at all as you very well know. on the other hand some jobs have tremendous implied reward when they are taken seriously. Example of the latter is working in servicing the Muslim community, educating its children and promoting the cause of Islam. This is of course notwithstanding that all decent jobs are greatly rewarded as long as they are performed with sincerely and honesty. The Prophet, pbuh, is reported to have praised hands that tired of work to enable the person of fulfilling her/his personal and family needs.

Insurance is controversial. I go along with the "wise" minority that includes the late Shaikh Mustafa al Zarka (died July 1999) who was the recognized most knowledgeable Shari'ah Scholar for decades and the late Muddy and many other younger Shari'ah and Islamic economics scholars. The minority's view is that insurance is permissible provided that the contract is not interest-based (some life insurance contracts are interest-based) and the subject of insurance is permissible (e.g., you cannot insure a shipment of liquor). The majority's view is that only cooperative or mutual insurance is permissible while insurance offered by profit seeking companies is not permissible because it is an exchange contract that includes a great deal of Gharar, which is ambiguity (the answer to this objection comes in fact from actuarial studies that indicate that because of the use of the laws of probability the amount of ambiguity becomes small to an extent that makes it tolerable in Shari'ah).

Consequently, working in insurance companies is permissible as long as you are not part of signing an interest-based insurance contract. Additionally, studying and then working as actuary does not have to put you in insurance anyway because all pension funds use actuarial services. I don't want myself to be misunderstood, I consider working in insurance (hazards, accidents, personal, property, maritime, real estate, health, workman compensation and many types of life) fully permissible without any hesitation and I further believe it is a must for public properties of Muslim community such as mosques, Islamic centers, schools, etc and extremely advisable for individual Muslims. But I don't consider it the most rewarding, in religious terms, job in the world!

Working in conventional banks is also permissible as long as you do not sign an interest contract on behalf of the bank or be its writer or witness because the prophet, pbuh, put the Wrath of God on the taker of Riba, its giver, writer and two witnesses.

Working in B

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Monday, April 28, 2003

To: Monzer Kahf

Subject: Islamic Ruling on Selling Insurance

Name of Questioner Suhail

Country India

I wanted to ask if selling insurance is correct I got it conformed from a person whose name is Shafiq who was already selling insurance with the same company, he had asked for such fatwa & he got an affirmative fatwa, actually I am undergoing training for IRDA Act 1999 which requires training before selling insurance I am just about to complete the training but some of my known people they raised a question that you cannot be a part of insurance but I myself don't think that selling insurance is wrong cause its just like selling any other thing & since Shafiq had also received a go ahead fatwa & i also want to ask if a Muslim can buy insurance if yes then what kind of insurance can he buy will term insurance be ok for a Muslim because other form of insurance like endowment assurance involves bonuses which I feel is like interest even though bonus is not interest I would be glad if you could reply to my queries & I would like you to plz refer to some facts of insurance & then reply me because a lot of commitments are depending on me which will be ultimately depending on your fatwa. thanking you very much.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Suhail

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Some people argue that insurance is prohibited in Islam, and consequently selling it is also prohibited. Their main reasoning centers around two points: 1) that insurance is a Riba-based contract. This is not true because only one kind that is regular fixed value life insurance is interest-based. And 2) insurance contracts contains huge ambiguity (lack of knowledge of the day a compensation is due because you do not know when an accident happens).

Others argue that the amount of ambiguity is not really huge but bearable because it is regulated, on large number by the actuarial studies and laws of probability. Consequently, except for fixed value interest-based kind of live insurance contracts all other kinds of insurance are permissible. This includes variable equity based life, accidents, hazards, car, personal, etc.

I go along with the second opinion and I believe it is correct and consistent with the objectives of Shari'ah. I also add that insurance of Islamic public building is even a must especially in countries like India and the USA where such building are some time attacked by hate and supremacist criminals

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Beneficiary's proceeds from life insurance

From: LatinoDawahNY@aol.com

Sent: March 15, 2003

Question

Salaam alaikum, Jazakallah for taking your time to answer this question. My non-Muslim father recently passed away. He had a life insurance policy. I wanted to know if it is permissible for me to accept my share of this inheritance. Specifically I have done some research and found that scholars have

conflicting answers with regard to the permissibility of Muslims having their own life insurance policies. However, in this particular case the amount left to me is a gift (inheritance), not something that I have paid any money or interest into (if that makes sense). Does that have any bearing on its permissibility? That is, if it is a gift am I obligated to question it?

Thank you for your time, Salaam. Sr. Samantha

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Samantha

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

In your kind question you actually raised four issues: life insurance, inheritance between Muslims and non-Muslims, is the proceeds of life insurance an inheritance? and gifts between non-Muslims and Muslims. I will try to give brief answers to all of them.

1 - Life insurance, and all forms of insurance too, is controversial. Almost all Fuqaha who argue against it have very little experience of life in Western countries and cannot imagine how useful it is, rather important, insurance in general and life insurance, in specific, is. Those who have some experience or knowledge about live in the industrial countries all almost all for the permissibility of insurance of all kinds. I believe it is permissible. The main evidence is its usefulness while it does not violate any of the objective or specific texts of Shari'ah, there are similar examples in known permissible contract such as the contract to guarantee ravel road safety and the 'Aqila system for payment of compensation of injuries inflicted without any criminal intention, it is not based on interest (as the nature of contract, although many life insurance contracts have interest clauses and such clauses are certainly prohibited, the thing that makes certain kinds of life insurance prohibited), it is not based on gambling, and the amount of ambiguity in the contract is within Shari'ah tolerable level). I believe that it is permissible for Muslims to take certain kinds of life insurance contracts. This contract was taken by a non-Muslim who is certainly not required to follow the rulings of Shari'ah because he is first asked to accept the truth of the Oneness of God and the Prophethood of Muhammad, pbuh. Consequently this discussion is in reference to your reading on insurance.

2 - Inheritance between Muslims and non-Muslims is not permissible, two ways. there are several Sayings against it and this is the view of the four schools of Fiqh. there is a minority opinion in the Malikite school that this prohibition is only one way, and that Muslims may inherit from non-Muslims. The Sayings about the inheritance of Saad, the companion, from his father (the Prophet prevented him to take any share and left all the estate to his non-Muslim brother) stand against this. Beside this opinion is discriminatory and seems to be against the justice spirit of Islam.

BUT what is at stake doesn't have to be understood as inheritance. If a non-Muslim dies and is survived by a Muslim close relative. The deceased either had a Last Will or not. If the deceased had a Last Will distribution is done by virtue of this Will, this is not inheritance according to Shari'ah, therefore by virtue of a Last Will of a non-Muslim it is permissible to a Muslim to take what is assigned to her/him in the Will regardless of its percentage to the total amount of estate. Please notice here that non-Muslims are not required to limit distribution through a Last Will to only one third because this requirement is again a Shari'ah ruling that doesn't apply to non-Muslims.

If the deceased did not leave a Last Will, the state Law decrees the distribution, regardless of what is it called in the state Laws, this is a giving by virtue of the law, why should we call it inheritance in Islam. It is not inheritance and it does not apply the rules of inheritance that are known in Islam. IT IS A DISTRIBUTION BY VIRTUE OF THE LAW regardless of what triggers the Law to do it (for instance, Canada distribute a certain acreage to people who migrate to northern Alberta, is this an inheritance from the state?). It is permissible to take this distribution regardless of what it is called in the state Laws.

For Muslims in America, the only way to enforce the Islamic inheritance Law is through Willed distribution (by a Last Will or better a Revocable Living Trust) In such a Will Muslims are prohibited to give any share to non-Muslim relatives (including non-Muslim wife) except through the one third that is assigned to non-heirs and permitted to be given to non-Muslims and to institutions and for distribution to the poor and needy through a Trustee.

3 - Is life insurance proceeds an inheritance? The argument against it is strong. because only the Tarikah (estate) can be inherited. But the Tarikah has a specific meaning in Islamic Fiqh: it is all properties that the deceased owned. It is then not necessarily equal the state laws' definition of "estate." In fact according to some states, I know it is in California, insurance proceeds can be left outside the estate by assigning a beneficiary or a trustee for the proceeds, consequently insurance proceeds go the beneficiaries or trustee tax free. INSURANCE PROCEEDS WERE NOT OWNED BY THE DECEASED BECAUSE THEY ONLY EXIST AFTER DEATH and upon presentation of a death certificate. If they were not owned by the deceased, it is then permissible for the owner of the insurance policy to name any beneficiary(ies) and the distribution of the proceeds doesn't have to follow the rules of inheritance. We have similar case in the Shari'ah that is the case of Family Waqf. You make a deed of a family Waqf and the distribution of its revenues and its assets, if the Waqf is made for a given period, doesn't have to follow the same shares of inheritance. SINCE THE PROCEEDS OF THE LIFE INSURANCE OF YOUR DECEASED FATHER IS NOT INHERITANCE ANYWAY, WHY WORRY ABOUT INHERITANCE BETWEEN MUSLIMS AND NON-MUSLIMS?

4 - Gifts are certainly permitted between Muslims and non-Muslims, no limits what so ever. There are many reports that the Prophet, pbuh, has done that several times: giving gifts to non-Muslims and accepting gifts from non-Muslims.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Interest component of proceeds of life insurance - Continue

From: LatinoDawahNY@aol.com

Sent: Sunday, March 16, 2003

Question

Thank you again for your most gracious and timely response to my question. If I may bother you yet again to just clarify some of the points you made. You stated that insurance that is not interest based is acceptable for Muslims. You also made a point that since my father was a non-Muslim he was not required to follow the rulings of Shari'ah. In addition you made it clear that life insurance is not exactly (according to Shari'ah) an inheritance. Therefore, I ascertain that you would call the amount left to me a gift. I understand that gifts can be accepted from non-Muslims. However, if the insurance is interest-based...am I only entitled to the portion of the gift that was not part of that interest or am I entitled to the entire amount regardless of its interest. This is the part I am unclear about.

I understand that life insurance is not an inheritance now and I greatly appreciate your time and effort. I just want to be certain that since it is a gift I needn't worry about the specifics of where it came from. Jazakallahu khair, Samantha

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Samantha

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

First, you are correct in summarizing the points.

The part you are sure is interest you should take it and give to Muslim charity; do not leave it to the insurance company. However, an interest component cannot, normally, be part of the face value of the policy that is due upon death, it may only be part from the added amounts above the face value of the policy because some life insurance contracts give you an added amount, if the premiums paid were more than needed for the risk element required to maintain the face value of the policy. What I mean to say is that in most insurance policies there is no interest component in face value of the policy that is due upon death, while there is an interest component if an amount is paid to the insured after 20 years should he/she not die during this period.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Objections to Insurance

From: Islam on line

Sent: March 05, 2003

Name of Questioner yasir Country

Question

Assalamu Alaikum, People have told me that insurance on anything is Haram. One of their reasons is that it interferes with the will of Allah (SWT), but obviously nothing can interfere with the will of Allah (SWT). Also as one of their reasons, they say that it is comparable to gambling and Riba. But in gambling there is a chance in losing one's money where the sole intention is enjoyment and the chances of gaining money. In Insurance, if an event does occur, you are guaranteed the reparations. As for being compared to Riba, when one pays for insurance, we are not investing money for the sole purpose of gaining money, but to safeguard our loved ones and property. Please shed some light on this issue. JazaakumAllahu Khair.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Yasir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

You did an excellent job in clarifying the differences, I will only add footnotes.

Those who claimed insurance interferes with the will of God did not understand insurance. It remedies some of the financial effects on an event or a hazard. This kind of misunderstanding is old and was answered by Umar bin al Khattab that "we escape from the will of God to the will of God"

Objection on the basis of gambling and Riba are also dismissed. However, the claim of Riba involvement is based on an illusionary exchange of money (the premium) for money (the payment) at a later date. But also the fact of the insurance contract is that it is an exchange of money for assurance of financial safeguard should a hazard happens. Insurance does not have an exchange of money for money unless in some forms of life insurance where part of the premium is placed at a certain rate of interest and accumulates to a certain amount payable at

a future date. This kind of insurance is forbidden because of this Riba-based part. The claim of gambling is also refuted because the essence of gambling is Abath (vanity) i.e., you redistribute wealth on the basis of rolling a wheel of tossing a dice. Insurance is a very useful contract, especially in an age that has machines running in street, in air and on water, it is an age full with potential hazards.

The serious objection to insurance came from Gharar (ambiguity regarding essentials of a contract). Although insurance contracts are very clear and specific about describing the events that may invoke the responsibility of the insurer and about the size of extent of this responsibility, the contract cannot determine the date when it is due nor whether it going to be invoked to begin with. In other words, the contract cannot determine when a hazard happens or the extent of the hazard (what sickness and how much it takes to cure, or the time when a fire happens and the extent of the damage, etc). Additionally, many insurance contracts cannot determine how many premiums the insured is going to pay, this is also Gharar. This Gharar on both sides of the insurance contract is essential in any and all insurances. Here we have two positions of most contemporary Shari'ah scholars. A group argues that since Gharar is essential in insurance we need to find out if insurance can be made where such Gharar is permissible. This group suggest that if insurance is structured as a cooperative or mutual insurance, the Gharar becomes permissible provided the premium is paid on the basis of contribution (Tabarru') because Gharar is not permissible in exchange contracts while in contracts that are based on Tabarru' it is permissible because Tabarru' is only a giving from one side to another. They continue that in Tabarru' you may stipulate certain conditions that may benefit you. For instance, Uthman bin Affan made a Waqf (Tabarru') of the Well in Madinah and he made a condition that he can get water from it like any other Muslim household. This Group suggest that whence insurance is restructured on the basis of cooperation/mutuality and Tabarru' the Gharar can be overlooked/tolerated (notice, that it is certainly not eliminated nor reduced) because Gharar is tolerated on contracts based on Tabarru' and conditions are permissible too. This is the foundation of what is called the Islamic insurance.

The late Shaikh (died July 1999) argue that we don't need this route because of the following:

- 1- The amount of Gharar in insurance is not big to the extent that line up people on the doors of courts, it is tolerable and he gave many examples from Shari'ah approved ancient contract such as contract of road safety (you take this road for your caravan and I guarantee you for its safety. Notice it is almost the same insurance contract).
- 2- The condition in a Tabarru'-based insurance makes the contract an exchange contract between the cooperative and any member, so you go back to Gharar in exchange.
- 3- The contact is very useful rather it is necessary in our age.
- 4- The insurance contract is in fact based on cooperation because it can only work if you can recruit for it a large number of insured (policy holders) because its actuarial system only works on large numbers, therefore, if it can be taken as a cooperative what is the harm in someone bringing these too many people together and making this her/his business to make profit, it is still cooperative in essence.
- 5- People in each age and time invent contracts that suit them and rule is if there is no violation of any Shari'ah axiom such new contract must be acceptable. In the past people invented a system of 'Aqilah (if someone hurts another unintentionally the financial compensation that should be paid to the

injured must be collected from all male relatives (in the whole clan) of the injurer. Now people invented insurance for their needs and it violates no principle of the Shari'ah.

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Working as Actuary

From: Islam on line

Sent: February 26, 2003

Name of Questioner omar Country Pakistan

Question

Is the job of an actuary who mainly calculates insurance premiums Haram in Islam?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. omar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

No. Working as actuary is permissible because it is useful and the concept of insurance is not forbidden. In addition to insurance companies it is used in retirement programs, providence funds and social security system.

Additionally working as actuary in an insurance company is not forbidden either because insurance is controversial. there are great scholars (and probably the wiser ones!) who argue that insurance is permissible even when it is run on profit making basis, i.e, not only the mutual or cooperative type of insurance that is agreeably permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Interest-based life insurance

From: fatwa [mailto:fatwae@islam-online.net]

Sent: January 22, 2003

Name of Questioner shalimar Country Canada

Question

Is life insurance in Egypt is Haram if we pay 100L.E every month for 20 years. If some thing happened with in 20 years we will take them 25,000 if not we will take them 75,000. Is it Haram or Halal? It is a contract

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. shalimar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Insurance is in my opinion permitted if it is not mingled with interest. A life insurance contract that gives a definite amount after a number of years, if the insured survives, is interest based because this amount is equal to the part of the premium that is called investment premium placed at a given interest rate. This kind of life insurance is not permitted in the Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Interest-based life insurance

From: islamonline.net@hotmail.com

Sent: January 19, 2003

Name of Questioner Emira Country

Question

Numerous western insurance companies offer attractive pension schemes whereby the client pays a certain amount of money annually, only to have the double of what he has invested returned to him in 25 years. I have inquired about the ways in which such firms multiply clients' resources, and have been told that they deal in safe investments such as real estate, infrastructure, etc. They also give loans to governments, but not to individuals. Would participating in such a pension scheme be Halal, and if not, what are the Islamic alternatives for securing one's retirement? Thank you.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Emira

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

It seems that this is an interest-based insurance contract because it guarantees a given amount at the end of the contract. But I need more details before I give definite opinion on this contract.

Although I go with the view that accepts insurance if it is not interest-based, I have doubt about this arrangement. I will need from you either the exact basic features, i.e., obligations of the two parties or a copy of the whole document.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Receiving payments for medical insurance

From: islamonline.net@hotmail.com

Sent: January 19, 2003

Name of Questioner Oum Khaled Country

Question

Assalam alaikoum Please try to answer to my question ASAP because I'm continuously thinking about it My question is about medical insurance. I'm working on a private enterprise and all the employees salaries are decreased by a certain amount called "medical insurance". Our enterprise has signed a contract with an insurance society wich is private and not belonging to the state. This contract assumes to return to us 80% of all our medical bills for example if I'm ill and go to a doctor and pay him 20 Euro

they will return to me 16 Euro. I have also the possibility to add my husband and my kids to this contract with not paying an additional amount and they will benefit from the same service. Is that "Halal"? I heard that I can benefit from those returning but with not exceeding the amount that I gave from my salary Jazakoum Allah Khayran

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Oum Khaled

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Medical insurance is permissible and you can certainly take the 80% of your medical expenses returned back to you from the insurance company. There is nothing forbidden in medical insurance. This is the opinion of scholars who studied and understood it. There are other views mainly from traditional scholars who did not study such contracts in detail.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Being a beneficiary to a Riba-based life insurance

From: islamonlinenet@hotmail.com

Sent: January 18, 2003

Name of Questioner Asma Country

Question

Asalaam-o-Alaikum, I have a question about Life Insurance and I have gone through your previous answers on it but I'm not clear about what does the late Shaikh Mustafa al Zarka's fatwa means. This person is Christian and I am the beneficiary on his Life Insurance and I and my family are Muslims. The life insurance company has given him an option of taking half the money instead of the full amount after a certain time if he does not want to wait till the contract materializes which is his death. Now is it legal as a beneficiary to take that money and use it on my family as me and my husband both are unable to find a job and we also have 3 children. Of course we will also give some of it to charity.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Asma

Assalamu Alaykum wa Rahmatullahi wa Barakatu

Let me please try to make three points clear, those that your question statement raise:

1- To be a beneficiary on a life insurance of any person, Muslim or non Muslim is permissible, the money you get is pure (Halal). You did not make the life insurance any way. This is different from entering in a life insurance contract with a company whether you are the insured or not. Regardless of its origin and the contractual relationships that generate it, the money you get as a beneficiary is just money due to you by law from certain company, is there any thing forbidden in taking it? Certainly none.

2- Whether you donate to charity from any money you get is your decision and you are certainly free to do it or not at any time.

3- The Fatwa of the late Shaikh Zarka: he argued that all kinds of insurance contracts, including life, are permissible because insurance is a new thing that did not exist at the time of revelation, it is useful, and it fulfills a very important need that came about with changing life style, and finally it does not violate or contradict any text or rules of the Shari'ah. He sharply criticized the claims that insurance is Riba-based or gambling-based. He further argued that whatever amount of ambiguity it contains (with regard to the due date of payment and some times number of installments) is tolerable especially that it is of the kind that does not cause disputes. Ambiguity that causes disputes is not permitted. He made two conditions: that the contract must not include any interest (Riba) clause or component and that the subject of insurance should be permissible, i.e., you cannot insure a shipment of liquor, or the legs of a dancer in a night club (the latter is his exact example) because both are prohibited, but certainly you can insure the fingers of a computer terminal user, because this is a permissible job.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Advising people on choosing best insurance

From: Fatwa E [mailto:fatwae@islam-online.net]

Sent: January 02, 2003

Name of Questioner Khwaja Country Canada

Question

Assalamu Alaikum, May Allah bless you your efforts and time. I have an opportunity to improve my financial situation by getting involved with Primerica a Financial Services company. I have 7 kids, wife doesn't work, can not work, going in debt very fast, my landlord has asked me to leave the apartment because he wants to sell it, mortgage is Haram, no one would give me a rental property because of family size, only way is to make enough money to buy a house in cash. In this financial service business we advice people on how to reduce debt by offering better products which includes loans and insurance policies with lower interest rates. I can build my own business and make very good money in commission at the same time helping families get rid of or reduce their debt. In a regular job I will never have enough to make ends meet and I will pay more and more interest until I go bankrupt. This society is not for single earner families. I avoided credit based on Riba for 4 years after I came here but finally the system caught up with me. I hate it but I am stuck init. I have a full time job that pays half of my expenses the other half is increasing by debt monthly. I have tried to get a second job and every other thing and I don't get a response from anyone. Is this business Halal or it is Haram for me to do this business to rid myself of Riba forever. Once I have paid my debt and bought a house I would do some trading business without any involvement of Riba. I won't be taking Riba but I will be advising families on how to reduce it which is good in itself. I desperately need your advice on this one I would appreciate if you do not publicize my letter so openly because community will immediately know it is me, I am a well know College Professor and actively involved in community and Daawa activities. Not many people are in my situation in this community. So I am very recognizable. My

Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Khwaja

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Advising persons, who are already under interest-based contractual obligations on how to reduce their interest is not bad at all; it is rather good, more good if these persons are Muslims because you would helping them reduce their involvement in sin. You must not write or sign the new reduced-interest contracts, because it is forbidden. Also helping people in insurance is permissible as most kinds of insurance are permissible and several contractual forms of life insurance are also non-interest based. I am afraid you may be expecting rather too much from this proposed new venture and it may end up not giving you what you expect.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA INSURANCE TAKAFUL 2002

SUBJECT: Health and hazard insurance

From: Fatwa E [mailto:fatwae@islam-online.net]

Sent: December 29, 2002

Name of Questioner FARAJ Country Tanzania

Question

ASSALAAM ALAYKUM GOD BLESS YOU INSHALLAH I WANT AN ANSWER ON TWO QUESTIONS 1. IS HEALTH INSURANCE OR MEDICAL INSURANCE ALLOWED IN ISLAM? 2. TO TAKE BANK OVER DRAFT MONEY ON EMERGENCY WHEN IN NEED IS IT ALLOWED IN ISLAM?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. FARAJ

Assalamu Alaykum wa Rahmatullahi wa Barakatu

Health, hazard and similar forms of insurance are permissible according to the views of the late Shaikh Zarka and I follow that opinion. there are scholars who argue for the prohibition of insurance unless it is done on cooperative or mutual basis. I believe that they do not have convincing argument for the prohibition of insurance provided by profit seeking companies.

Over draft almost always involves interest. Interest is prohibited and certainly causing interest to trigger is prohibited too. I doubt that there are cases that can be defined as necessities from Shari'ah point of view to justify the relaxation of this prohibition; we keep in mind though the Islamic axiom of Shari'ah that "necessities may relax a prohibition."

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Term life insurance

From: Islam net [mailto:islamonline.net@hotmail.com]

Sent: December 24, 2002

Name of Questioner ASHRAF Country Egypt

Question

Alsalam Alikum, my company offers "Term Life" Life Insurance. I pay \$12 monthly, and in the case of my death I get \$200,000. Is this Haram, I read your Fatwa about Life insurance, but I did not fully understand it. Please advise me.. Gazak Allah Khair

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. ASHRAF

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Term life insurance is permissible. I do go along with the Fatwa of the late Shaikh Mustafa al Zarka that insurance, offered by commercial or other companies, is permissible if it is not interest-based. Term life insurance is not interest-based. You can take it through your employer, as a group, or even individually.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Working in an insurance company

From: Islam on line

Sent: December 23, 2002

Name of Questioner MOHD Country Pakistan

Question

ASSALAM-O-ALIKUM MY NAME IS M. SIR, I WANT TO TAKE ADVICE ABOUT AN ISSUE: INSURANCE. INSURANCE OF LIFE IS IT LAWFUL IN ISLAM. MY BROTHER IS A TRANIEE MANAGER IN AN INSURANCE COMPANY.HE SAID TO ME THAT IF U WANT TO DO WORK FOR THE SAKE OF EXPERIENCE SO U R WELCOM. SO I THOUGHT THAT IT IS VERY GOOD OPPARTUNITY FOR ME TO GET EXPERIENCE AND TO BE INDEPENENT SIR,MY AGE IS 18 AND I WANT TO DO WORK AND I WANT TO MAKE MY SELF INDEPENDENT. SIR I DON'T WANT TO DEPEND ON MY FATHER'S MONEY. SIR, I FELT THAT SOMETIMES MY FATHER FAIL TO MAKE 100% FROM HIS INCOME SO I THOUGHT THAT IT IS GOOD TO DO JOB AT THIS VERY YOUNG AGE AND GET SOME PROFESSINAL EXPERIENCE. BUT AS I MENTIONED ABOVE THAT SOMEBODY TOLD ME THAT "IT IS UNLAWFUL ACCORDING TO THE ISLAM AND THE WORKERS WHO ARE DOING THIS WORK THEY ARE ALSO GETTING FORBIDDEN INCOME, AND I DON'T WANT TO START MY JOB FROM FORBIDDEN MONEY" WHAT I DO IN THIS SITUATION ? PLZ, HELP ME SIR I WILL BE VERY THANKFUL MAIL ME SOON ALLAH-HAFIZ

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. MOHD

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

First, allow me, dear Son, to commend you on the step you are taking to work and earn your own income. it is an excellent step, but do not let it be a substitute of improving your skills and abilities by college study and good training because these improvement add a lot to your potential earnings in the future.

My position on insurance is that I follow the opinion of the late Shaikh Mustafa al Zarka. Insurance is permitted provided the contract is not interest-based and the insured is a permitted thing. In application, this means that car, health and hazard insurances are all permitted; several forms of life insurance contracts are also permitted such as term life insurance. On the other hand the part of a regular life insurance that is based on interest is not permitted on the ground that Riba is forbidden. Once it is established that insurance is permitted working in this field is also permitted.

There two other view on insurance that I have to inform you about although I do not agree with their arguments. Some people believe that insurance is forbidden whatsoever, because it is gambling on the Will of God. This is in fact a misunderstanding of insurance because it has nothing to do with changing the sequence of events, hazards or accidents. The other view is that insurance is not permitted because its contract normally contains a certain intolerable degree of ambiguity (called in Islamic Fiqh Gharar). Shaikh Zarka (who dies in 1999 and was the recognized the most knowledgeable Shari'ah scholar of our time) argue that the amount of Gharar is in fact tolerable and cites similar precedents in the classical Fiqh. Those who argue on the basis of Gharar add that if insurance is reformulated on a cooperative basis, it can become permissible. According to this view several cooperative Islamic companies were established in several countries. Many scholars, after studying the experience of these companies go back to the opinion of Shaikh Zarka because even with a cooperative company, the contractual relationship between the company and the policy holder is still an exchange contract.

In brief, insurance and working in its field are permitted as long as you avoid interest transactions.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Receiving injury compensation from an insurance company

From: Islam on line

Sent: December 21, 2002

Name of Questioner amal Country

Question

salam alakum I need some light on my question: I recently got into a car accident. And alhamdulillah I was not seriously injured. I do have to see the doctor every so often and I have started physiotherapy. My question is: Is it Haram if i go after the insurance company (suing them) for the accident? To me if they gave me all the money in the world it would not bring my health to the way it was. Others tell me to sue them and give the money to the mosque or to the poor. What do u think is the right thing to do.?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Amal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

if the accident was not your fault, suing the injurer and the injurer guarantor (his/her insurance company) is certainly your right that you need not forsake and any amount you collect is a compensation of the injury you sustained, you need not give it to a mosque unless you want to make a voluntary charity. According to Shari'ah, an injured has a right to be compensated by the injurer, and if an insurance company, on the injurer's behalf, makes payment is well and good and the kind of relationship between the injurer and his insurance company is none of your business, you are not the one who contracted the insurance company anyway.

If it is your fault and a smart lawyer can switch it on the other party, it is certainly forbidden to get the money and to contract such a lawyer. This is taking properties of others in vain.

If it is your fault and you are compensated by your own insurance company, you are the one who contracted the insurance and you should have asked your question before you contracted the insurance company.

In my opinion, car, accidents and hazards insurances are permissible with no reservation that affects your question. If the contract is permissible, getting a compensation from the insurance company according to this contract is also permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: In Equipment Leasing, who should pay for insurance?

From: Islam on line

Sent: December 17, 2002

Name of Questioner Atif Country Pakistan

Question

Is Leasing allowed in Islam? I am willing to get some equipment for my factory on the terms of leasing. That is on rental basis. I have to pay a deposit of approx. 15% of the equipment value and then start paying rent for a period of 36 months. I will end up paying more money than it is actual value, but in installments. At the end of leasing period I will purchase the equipment from the leasing company on the residual value (usually the amount I paid as deposit). Thanks for your kind elaboration. Jazakallah

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Atif

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Leasing in general is permissible. The essence of the prohibition of interest is not the fixation but the fact that interest is an increment in a loan. Physical assets can be leased at fixed rent for short and long periods of time, and they can be leased with purchase too.

In leasing, however, major maintenance, taxes on the assets and insurance are all the liability of the owner not the lessee. But any such liability can be added to the rent (i.e., made a liability of the lessee) if its amount is known at the time of the contract. A major and very important condition in leasing is that the amount of rent and its due date must be known and determined in the contract.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Comprehensive car insurance

From: Islam on line

Sent: November 12, 2002

Name of Questioner Rubab Country Pakistan

Question

Is comprehensive car insurance (covering damage to your own car, its passengers, others' cars or properties) HARAM in Islam? In case it is Haram, then what is permissible form of car insurance to fulfill country's traffic regulations? Jazakum Allah Khairan,

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Rubab

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Comprehensive car insurance is permissible regardless of whether it is required by law or not. This is the opinion of most learned scholars of the caliber of the late Shaikh Mustafa al Zarka, died in 1999. the basis of this is that insurance is a very useful contract, contemporary life makes it very often very important/essential; it is consistent with the general objectives of the Shari'ah; it has similar examples in Shari'ah-recognized contract that were practiced in the past, keeping in mind the differences in applied technology; and it does not violate any of the specific rules of Shari'ah

Scholars who consider it forbidden submit to legal requirement and say only the part that is required by the law of the land is permissible. If that part is only restricted to liability toward third party body and property damage, so be it. this is the only part they consider permissible under the rule of necessity. their argument for the prohibition of insurance, in all its kinds, is based on the ambiguity in the amount and day of payment of the responsibility of the insurer (the company).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Beneficiary of Pension

From: Islam on line

Sent: September 29, 2002

Name of Questioner umm j Country S. Africa

Question

Assalamu Alaikum I would please like to know what the Shari'ah ruling is on inheritance if - a divorced man dies - he leaves behind his parents and one son - he has not left a will - according to the law of the country his son is the beneficiary of his house and pension fund how would the house and pension lump sum be allocated according to Shari'ah?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. umm j

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The Shari'ah rules give the parents one sixth each of the estate, net of debt and funeral cost (you said there is no will by the deceased).

However for the pension, we have to distinguish between two cases. 1) a residual lump sum in the Pension Fund that was owned by the deceased in his life (example: the Individual Retirement Accounts, IRA, in the USA), this must be distributed the same as mentioned above

because it was owned by the deceased in his life, and 2) a lump sum due by the incidence of death, like we have it in life insurance. This can be distributed to beneficiaries as per assignment made by the deceased or by the law or system of the Pension Fund. But if there are no such assignments, they must be distributed according the inheritance rules mentioned above. The reason for the different treatment is that the latter was not owned by the deceased and the inheritance applies to the properties the deceased owned in his/her life.

Note: it is unfortunate that many Muslims who live in countries that have no family and inheritance laws for Muslims do not take proper precaution to make their estate be distributed in accordance with the Shari'ah. Please consult www.isna.net or www.kahf.net for the form of Last Will and Testament that must be signed and readied by all such Muslims.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Working in insurance companies on commission

From: Islam on line

Sent: September 06, 2002

Name of Questioner kashif **Country** Canada

Question

Dear scholars, As-Salaam `Alaykum. I have a question on working with insurance company. I want to know: is it Haram or Halal, if I work for an insurance company on commission basis which deals in term life and property insurance. This is self employment which gives business opportunity your own. But i am confused is it Halal for me to do this business or not. Please give me straight answer can I do this insurance business or not. Thank you waiting for your reply

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. kashif

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Working in insurance companies is permissible provided you avoid writing interest based contracts. Health, property, accident and term life insurances are not interest based. Other forms of life insurance policies have interest clauses, and for a few of them such a clause is not central or pivotal to the contract, in some other insurance policies the interest matter is essential. These must be avoided.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Studying and working as actuarial

From: Islam on line
Sent: August 17, 2002
Name of Questioner Thara Country UK

Question

Asalam alay kum warahmatullahi wabarakata hu My friend is studying Acturial Sciences at University as his degree. As far as i understand it, the degree is not Haram itself but he intends to become an Actuary in the future. Please could you inform me of the ruling concerning becoming an Actury-Jazaakallahu Kairan

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Thara

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Studying and working in the area of actuarial science is permissible because he can work in areas other than commercial insurance companies such as retirement plans and Islamic insurance, besides working in commercial insurance companies is not forbidden as insurance contract with them is not forbidden but controversial. There is an important group of Muslim scholars who believe it is permissible on the ground that it is a new contract that violates none of the rules of Shari'ah. This group refutes the argument that it is similar to Interest or it contains an amount of Gharar (ambiguity) that is not telerable in contracts.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Selling life insurance to Muslims in India

From: Islam on line
Sent: August 12, 2002

Name of Questioner gaffoor **Country** India

Question

assalam mu Alaikum, I just need your advice I am here in India selling insurance products. Some of my Muslim brothers insult me call my profession Haram they don't have the right knowledge on insurance and when i show them they don't see it also as a result of this I'm developing a constant hatred to the certain sect of the society for their ignorance because of them I am not able to focus on my work. Kindly advice ALLAH HAFIZ

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. gaffoor

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

the opinion "that insurance contracts with regular commercial companies as insurer is permissible" is strong from the point of view of evidence and general Shari'ah principles, although it is the minority's. I personally go along with it with due respect to those scholars who

take the opposite view. There must be no ill feeling because we adopt different opinions in matters that are not given in the texts of the Qur'an and the Sunnah.

I think insurance is very important in the contemporary life, especially in countries that do not have the cooperative/contributory kind of insurance. The situation of the Muslims in India makes insurance rather kind of obligatory for all Muslims on their properties and their lives too. I believe the benefits of insurance under such circumstances make it more important.

Please be patient, brother and try to educate the ignorant among us...

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Proceeds of life insurance of deceased mother

From: Islam on line

Sent: June 19, 2002

Name of Questioner

Country

Question

My mother recently died, but she had taken out a life insurance policy. I am the sole beneficiary and at the age of 17 years, I need the money. Am I allowed to take the money?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br./Sr.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

First may God shower mercy to the soul of your mother and give her blessing. In my opinion life insurance is permissible if it is not interest-based. Interest accumulates in life insurance if the insured collects its value and it has interest within the collected value. As a beneficiary, if you collect the amount of the policy (its face value) that is the amount of insurance, it has no interest if you collect more than the face value, it may have interest, it depends on the mode of investment in the insurance agreement. In the latter case you need to isolate the interest amount and donate it to a Muslim charity and the rest is Halal InShaAllah.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Life insurance

From: Islam on line

Sent: June 02, 2002

Name of Questioner Amer

Country . U K

Question

What is the Islamic view on setting up a life cover contract in order to protect the welfare of my wife and children after my death? In addition, Inheritance tax is payable at the rate of 40% on any assets

above £250,000. For someone with an estate of £2million the tax bill would be £700,000. A life cover plan can be set up so that this bill is paid for from the proceeds of the life cover contract. Again, what would be the Islamic view on setting up such a contract?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Amer

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

I am sure you mean by life cover contract a life insurance contract, don't you?

Two main opinions; a majority's that it is not permissible because it has a great deal of ambiguity (Gharar); and I happen to be with the minority on this issue. The minority is led by the late Shaikh Zarka, it is of the opinion that the amount of ambiguity in all kinds of insurance contracts is tolerable and the life and other insurances are permissible with two conditions: 1) the contract must not contain an interest clause, and 2) you an insurance of a prohibited substance such as a shipment of liquor, is not valid.

The issue of taxes and liquidity is not of effect on the Fatwa.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Insurance of leased cars

From: Islam on line

Sent: May 31, 2002

Name of Questioner mahdi

Country . Morocco

Question

assalamou aalaykou wa rahmato allah i want to ask you about leasing to particulars, i intend to buy a car this way, the car would be registered with my name, and i should take care if it as if it would be mine, including insurance. so please, is this kind of leasing allowed by Shari'ah? Thank you very much and salamou aalaikoum.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. mahdi

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

In leasing, the owner/lessor is always responsible to make the car available to the user/lessee in working conditions. This means that insurance, taxes and basic maintenance must be in principle the responsibility of the owner/lessor.

However, in leasing the two parties can determine the rental amount any way they choose, the rental may be in money e.g., a given monthly payment for certain number of months or a down payment at the date of the contract plus a monthly amount, and it can be a service such as you provide me with the insurance service according to certain known specifications, or a combination of both. The reason is that in Shari'ah the rental amount must be known at the time of contract, and as long as it is known, it can be in kind (a commodity or a service) or in money.

Insurance can normally cover essential maintenance, not related to operation, i.e., all the maintenance responsibility of the owner/lessor. Further a great part of the insurance in cars relates to the user/operator and her/his style of driving etc.

The important result of this discussion is that in a leasing agreement insurance service and a down payment and a monthly payment for a given number of months can be combined together as being the rental amount. Hence, in my opinion insurance and taxes can be on the lessee provided this is mentioned in the contract of leasing the car.

The only remaining little issue is: are you sure the title of ownership of the car is going to be in your name and why? Because normally in car leasing, you are responsible for insurance and maintenance (usually the car is still under warranty from the manufacturer) but the title remains in the name of the lessor, this is the only security the lessor has against you. How come the lessors in Morocco give you the title? You may have mistaken the appearance of your name on the title as a user/lessee with having the title in your name!

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: life and property insurance in India

From: Islam on line

Sent: Wednesday, May 29, 2002

Name of Questioner yusuf

Country India

Question

assalamu alaikum first I would like to thank Islam on line for the great service to the Ummah and particularly younger generation. My question to Monzer Kahf because his fatwa on insurance is the most consistent. I'm in India today essentially a strong anti Muslim anti Islam country where Muslims both in private as well as in govt jobs if they get with ALLAH'S GRACE are confined to great discrimination. I'm working as an insurance agent in an American company and I have also recruited my Muslim brothers as they don't have any work and all of them are able to make a decent living by insuring their loved ones; and amount of risk faced by our Muslim brothers I feel very happy in selling them insurance because it is very good for their family in case of any calamity. India has no Islamic banking or insurance but keeping in mind the risk to life and property of Muslims it is required; and due to negative conception among Muslims the business also goes to non Muslims who make money by selling them to Muslims. Local muftis here say you can buy but not sell insurance which I feel is ridiculous. Kindly advice is my working in insurance company in India justified and helping my Muslim brothers by giving them jobs and security is it justified.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Yusuf

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You asked this question on live Fatwa and were given an answer, why do you have to take share of others and use their time for you my dear brother?

Here is a copy of what you already have:

In the name of Allah, The most Merciful, The most compassionate.

Praise be to Allah Lord of the Worlds.

Peace and blessings be on His final Messenger Muhammed.

Dear Br. Yusuf:

Asslamu alikum wa rahamtulahi wa barakathu

To begin with, life and other kind of insurances are controversial among Islamic Shari'ah experts. Some Ulama view them as prohibited because of the amount ambiguity (Gharar) that is involved regarding the obligations of the two parties and the date the insurance face value becomes due.

I go along with the minority's opinion that insurance is permitted on the grounds the amount of ambiguity is tolerable especially that insurance is based on the theory of probability and large number of policy holders.

In special cases as in Muslims in India, I think the opinion you mentioned about some Ulama who encourage Muslims to take insurance is very wise. This morning I was asked about property insurance for mosques in the US after 9/11 and I gave the opinion that it must be obligatory to the extent that the executive committee of the association that runs the mosque must be prosecuted for neglect to take sufficient safe guards if they did not insure the mosque building. I fully agree that at this time life and property insurance for Muslims in India may not only be recommended but obligatory. With regard to selling insurance, we must realize that in any controversial matter we should not oblige people to take the more difficult position. This means that even in normal times and situations working in an insurance company are permissible and the income you derive, as commissions and/or salaries, is InShaAllah Halal. Obviously if we agree that buying insurance is recommended, facilitating it for Muslims must a good and perhaps recommended way to earn a living

Finally, you have given a lot of thought and wisdom in your questions and the views you expressed; may Allah reward and bless you.

Allah knows best.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Insurance on Mosques and Islamic Centers in the USA

From: Islam on line

Sent: Tuesday, May 28, 2002

Salamu`alykum, hope you're well and good. Please answer the following question.

Name of Questioner Nizam

Country

Question

The Muslim community of Bay Shore, Long Island, New York wishes to know whether it is lawful to take out insurance on a mosque. This question arose because we are in the process of completing our mosque, which was under construction for about a year and the threat of vandalism is real due to the increased hostility against Muslims and Islamic establishments after 9/11. Please provide us with a Fatwa on this question with reasons for it.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Nizam

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

At this time, insurance on Mosques and Islamic centers, schools etc. is not only permissible, it is a must and we must prosecute for neglect any executive committee that does not do that. The reason is the threat you mentioned after 9/11. It is a necessity now.

At other times, we discuss the Shari'ah experts' opinions on the issue while relaxing. Keeping in mind that insurance is a new thing and new contract that was not known in the history of Islam, there are three opinions on insurance, of all kinds that include maritime, life, accidents, hazards and others: 1) all insurances are forbidden because they are speculative on the future and future is in the Hands of God, insurance contracts also has interest, ambiguity and imbalance (Gharar) and gambling. This opinion does not really stand argument, it stems of ignorance of what insurance is. 2) Insurance that is offered by companies that aim to make profit (in contrast to mutual or cooperative companies) is forbidden because it is an exchange contract between two parties and it contains Gharar. The Gharar element comes from the point that in most cases, you don't know how many premiums you are going to pay and when and how much the company is going to give you as the amount of damage and it date are not known at the time of the contract. People of this opinion believe that the insurance contract can be remedied from Shari'ah point of view if two changes are made: make the insurer a cooperative or a mutual body whose members are the policy holders and make premiums be given as donations to the cooperative or mutual company provided that it compensate any hazard that happens to its members. These two conditions make the contract permissible not because they remove the Gharar; it still exists. But because Gharar is tolerable in donations (Tabarru'at) not in exchange contracts. 3) The amount of Gharar in the contract, as it is between a money maker insurer and an insured, is not substantial enough to warrant prohibition especially if we notice that insurance is based on the probability theory and can't be worked out without a large number of insured people/things. The guru of this opinion is the late Shaikh Mustafa al Zarka, died in 1999, and for the last quarter of a century was the top Shari'ah Scholar in the world. This opinion is also supported by the late Maududi and by many other Shari'ah scholars. I go along with this view. There are two conditions though that must be satisfied: there must be no interest section in the contract, many life insurance contracts have interest clauses, and the insured must be permissible in Shari'ah, e.g., insuring a shipment of liquor is not permissible because owning and transporting it are not.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: life insurance on the bread earner

From: Islam on line

Sent: May 28, 2002

Name of Questioner mohamed

Country U S A

Question

I AM CONFUSED ABOUT LIFE INSURANCE POLICY DO YOU THINK a MAN IN MY AGE [43]HAVE THREE KIDS THE OLDEST IN FIFTH GRADE .BANKS OWN ME A LOT OF MONEY LAST TOW WEEKS I HAVE HAD HEALTH PROBLEMS . DO YOU THINK IT IS HALAL TO GET LIFE HEALTH INSURANCE TO LEAVE SOME FOR THE KIDS AND MY WIFE TO LIVE ON ? BECAUSE THEY DONOT HAVE ANY BODY TO DEPEND ON WA GAZAKOM ALLAH WA ALSALAMO ALIKOM WA RAHMATOALLA WABARAKATO.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. mohamed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Yes, I think it is wise to take life insurance to leave some for the kids and wife. I believe it is permissible in Shari'ah, and in that I follow the opinion of the late Shaikh Mustafa al Zarka. Health insurance is another kind of policy, it is permissible too.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Accepting insurance proceeds from a contract bought by employer

From: Islam on line
Sent: May 11, 2002
Name of Questioner Mohammed Country India

Question

One of my friends had died by accident from UAE while he was working on his company. Company has taken Life insurance for him according to law of U.A.E. This insurance amount is already sanctioned. But our problem is this money is Haram or Halal and His family also very poor and having children and wife too. We asked so many scholars and they recommended to Ask you about this subject. I am expecting your response on this matter with Islamic view as soon as possible.

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mohammed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Life insurance with commercial (i. e., other than mutual or cooperative) companies is controversial. Some Ulama believes it is Halal and others believe it is Haram. I happened to side of those who consider it permissible, hence my opinion is that the amount of insurance paid to the beneficiaries upon death of the insured is Halal InShaAllah.

BUT your question is not about life insurance, though it seems like that, because the deceased did not buy a life insurance and did not pay for it. I will rephrase your question as follows: some dies, and according to government regulation the employer was required to arrange that certain amount be paid to the deceased's family, regardless poor or rich, is that amount permissible. The answer is certainly positive, Yes it is permissible and it is non of the business of the beneficiary to question who actually paid it and by virtue of what kind of contract it is paid.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Working in an insurance company

From: Islam on line
Sent: May 05, 2002
Name of Questioner Sameer Country . Canada

Question

Assalamu Alaikum, I have searched your fatwa bank for rulings on insurance in general and working in them specifically, in the hopes of resolving a major question of mine. I am near the completion of my

university degree and I am intending on working in the actuarial profession. Actuaries are hired in all types of insurance companies, consulting companies and pension companies. From what I have researched pension companies seem to be the area least under dispute. Even so it would be unlikely that upon landing my first career job, I would find a pension company that is involved in fully Halal transactions. My questions are as follows. 1) Would it be possible to work as an actuary in a traditional insurance company, and if not in all then which ones? 2) Would it be possible to work for a consulting company even if some of its employment comes from insurance companies and traditional western banks? 3) Is it Halal to work as an actuary in a pension company? Jazakallah khair.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Sameer

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Insurance itself is not agreeably prohibited. Great Ulama of the caliber of the late Shaikh Mustapha al Zarka (died 1999) believed it is permissible if there is no interest clause in the contract. Actuarial studies are useful for insurance and pensions and they are used all over the Muslim world. It is just happened that those contemporary Ulama who argued for its prohibition are not exposed to the needs of contemporary life, in industry, trade, transportation, urban living, health, and life insurance.

Anyway even those Ulama that believe insurance offered by companies that aim at making profits, in contrast with mutual or cooperative insurers, do not consider working in such companies a prohibited action. Shaikh Muhammad al Siddiq al Darir of Sudan, a leading international Shari'ah scholar against commercial based insurance and obviously against interest argues that working in interest based bank is permitted as long as one avoids being a signatory of an interest based contract, its writer or its signing witness. The matter with insurance companies is the same. It is permissible to work in an insurance company, for analogy of his opinion, as long as you are not the person who signs the contract on behalf of the company.

In Brief, I happen to be an admirer of the opinion of Zarka, by the way the late Mawdudi has similar opinion, and I believe that insurance is permissible as long as it is void of an interest clause. Working as actuarial in pension companies is permissible, working as actuarial in insurance companies is also permissible and the income derived from them is Halal (lawful) InShaAllah,

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Fire and Accident Insurance in Canada

From: Islam on line

Date: May 02, 2002

Name of Questioner Senad

Country Canada

Question

Assalamu Alaikum, I have a specific problem. My 3 year old son is not a fully normal child and as such, has a tendency to create big problems at home due to his over-active energetic behavior. I am afraid that he will one day, accidentally set fire to my house or destroy something of value for which I will not be able to pay for. Under this circumstance, is it permissible for me to buy house insurance? I would like to be a part of the Takaful system instead of buying the insurance, but unfortunately, no such system exists in Canada. Please advise me. Thank you and May Allah reward you for your efforts. Your brother in Islam, Senad.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Senad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Here again, Insurance is not indisputably forbidden. All kinds of insurance, including accidents insurance like house insurance are new. They were not known in the past. Shari'ah scholars who study insurance have not agreed on its prohibition. Some argue that when it is offered by companies that aim at making profit, it is forbidden because it contains a great deal of ambiguity.

Some others believe that the amount of ambiguity is not big to an extent that justifies a prohibition, especially when you look at it from the angle of the probability theory as applied to a large number of insured policy holders. I agree with this second opinion. And I say it is permissible to take any insurance contract for houses, cars, life as long as the contract does not include an interest clause.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Life and property insurances

From: Islam on line

Sent: April 27, 2002

Name of Questioner na'eem Country U K

Question

Can u give some information on: 1. Life insurance to cover mortgage, 2. House contents insurance to cover loss and theft, 3. building insurance to cover loss, damage etc. what is the Islamic stance on these issues given that life insurance will mean that if the breadwinner dies then the insurance company will pay the remaining mortgage thus meaning the wife could continue to live in the house without having to settle the remaining mortgage which would have been the case had there not been life insurance. in the case of contents insurance, one pays a premium and the insurance company pays out if there is any damage or theft of the household contents. in the case of the buildings insurance the mortgage lender requires it as a condition of lending the money in order to protect his/ her property against any damage/ fire etc but the premium is paid by the lender. Your advice on the Islamic stance in each of these instances would be much appreciated. Wassalam

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. na'eem

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Insurance, in all its kind including the three you mentioned and life insurance too, is controversial there are two main views and the difference relates more to who offers it: a view that considers Forbidden all types of insurance offered on commercial basis, i. e., by companies that aims at making profit from the exchange contracts of insurance. The basis is that such contracts contain a big amount of ambiguity regarding the date of payment of the policy value, because you don't know whether an accident is going to happen and when, and the number of premiums that will be paid. For those scholars the alternative is

a cooperative insurance in which premiums are paid on a donation basis to the pool of fund. The reason is not that here there is no ambiguity but that ambiguity is forgiven in cooperation and in donations.

The second view is pioneered by the late Shaikh Mustafa al Zarka. It argues that insurance, as a new contract is useful and the amount of ambiguity in it is little if we look at the probability theory that is the basis of the actuarial calculations of insurance; further, there are traditional contracts that offer similar service and they are approved in the Shari'ah such as the contract that offers a guarantee of road safety which is known in classical Fiqh. People of this view put two conditions for acceptability of insurance contracts: 1- there must be no interest clause in the contract (the three contracts you mention normally do not have interest) and 2- the subject of the insurance must be permissible (e.g., it is forbidden to insure a shipment of alcoholic drinks) and the contracts you mention are not in this prohibited category. I personally agree with the second opinion and believe that the three insurance contracts you mentioned are permissible.

Wa Allahu A'lam
assalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Comprehensive or liability only car insurance?

From: Islam on line

Sent: April 18, 2002

Name of Questioner

Country U K

Question

AsSalaamu alaikum. The ruling that i have heard concerning taking car insurance is that it is not in general permissible. However in lands such as mine where driving without insurance will lead to prosecution and license suspensions I have heard that in this case it falls under the rulings of necessity. However, one should not go to excess and should strive to find the cheapest such as taking "third party fire and theft" which is the minimum to legally drive instead of "fully comprehensive." My question is that when making this payment i found that companies offer a one year insurance which i find unaffordable in a single payment. They then say you can pay for it in installments if you wish, however the total of the installments amounts to more than the yearly amount quoted. When i asked is this excess amount interest they reply "yes". I did further research and found that a small amount of companies offer a three month contract which you pay for in full and is affordable to me. However i found that four three month contracts totals more than a one year contract paid by installments. Therefore, please inform me which is the lesser of evil, to pay more in total (i.e. per year) through regularly buying a three month contract or to buy a one year contract and pay for it by installments. The latter option technically means that less money is being spent on this Munkar however it means falling into both insurance and interest?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1-Insurance is not Haram. Insurance is controversial, some say it is Haram and others believe it is permissible. I personally go along with the permissibility as long as the contract does not include an

interest clause. According to this second view you can take any car insurance, not only the third party. Even those who consider it not permissible but take exception when you live in countries that enforce it on all car owners do not suggest that you put your life in jeopardy if an accident happens and you don't have sufficient insurance to cover your car and properties. Life in a world that has iron (or aluminum) as moving machines requires insurance protection and when there is no cooperative insurance, you take the one in the market. They don't argue that you must take only third party.

2-Why do you need to ask, when they tell you that monthly payment is so much and you take the monthly plan as your contract, about the difference, what is it? (Remember the story of the cow in the Qur'an and its lessons). Besides, most likely you and the person who told you the difference is interest are incorrect. For instance the law in the USA prohibits charging interest on the differences in payment plans, because the insurance service is one that goes on with time and if you pay monthly, you are covered monthly and if you pay yearly you are covered yearly. Do you notice that it cost more to handle 12 payments than one payment, in a early contact, in the companies records, and it cost even more to handle monthly renewal of contract and payment than one contract and one payment for the whole year. Most of such difference reflect the cost of handling not interest of the amount, because the amount is not due if you select a monthly or a quarterly plan and interest is only on due amounts,

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Accident Insurance offered by credit cards

From: Islam on line

Sent: Tuesday, April 16, 2002

Name of Questioner Ossama Country Egypt

Question

Dear Sirs, I'm asking about insurance, because I have a credit card, they but extra fees on my account as an insurance against accidents. I can cancel this service but I want to know is this insurance right or wrong??? Please advise me about this matter to go on or to cancel this service. Thanks for your cooperation Yours Ossama

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ossama

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Many scholars believe that commercially run insurance (this applies to this accident insurance of the credit card) is not permissible because it includes a great deal of Gharar (ambiguity with regard to whether the amount of the insurance policy will ever be paid, its date of payment if it will be paid and for how long the payment of premium will continue). They suggest that an alternative based on mutuality or cooperation may be permissible if premiums are paid to the cooperative on donation basis (Tabarru').

Several other scholars argue that the amount of Gharar is tolerable because insurance is a contract based on probability. And those believe that commercial insurance is also permissible. I support this view.

By the way, accidental insurance offered by credit cards is usually a lot more expensive than what you can get from other insurance companies!

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Mutual or Cooperative Insurance

From: Islam on line
Sent: April 14, 2002
Name of Questioner Abdulla Country India

Question

What is the rule of Islam about taking shares of companies and organizations like ICCI. Please shed a light on my question. May Allah assemble us in his Jannatul-Firdaus. What is the Shari'ah rule about taking insurance? We need to take this type of savings to get relief from tax. Please reply for this too.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Abdulla

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1- You will need to explain what is ICCI. Until then my answer about it is I don't know...

2- It is permissible to buy shares of companies whose activities are permissible and whose management does not undertake any prohibited contracts, such as Riba, etc. Companies that may indulge in Riba and other prohibited contracts while their products/ services are permissible are disputed. Some Ulama argue that while the principle is that owning their shares is forbidden because what the management does is done in the name and on behalf of shareholders, such a prohibition cause hardship to individual Muslims especially those like you who live as Minorities in their countries. Those Ulama call for relaxation based on the Shari'ah principle that hardship always should be removed. They design e few criteria that seem reasonable, you can find these criteria in the web of the Islamic market Dow Jones.

3- Cooperative/ mutual insurance is permissible provided premiums are paid on contributory basis. Insurance offered by profit seeking companies is considered, by a large group of Ulama, as containing Gharar (ambiguity regarding the number of premiums and date due of compensation. Other Ulama find insurance offered by commercial companies permissible on the ground that once we look at the large number and the theory of probability the Gharar becomes much smaller than thought of, and consequently tolerable in Shari'ah. I subscribe to the latter view. There are two conditions here: 1) the insurance contract must not contain any Riba element such as an investment clause at fixed interest and 2) the object of insurance must be permissible, e.g., one cannot insure a wine shipment.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Whole and Term life insurances

From: Islam on line
Sent: March 31, 2002
Name of Questioner Jamal Country USA

Question

What are the types of life insurance that are permissible?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Jamal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Here are shorthand answers without their rationale, as it has become known to the questioner.

1. Whole Life – a cash value is involved which earns interest: Forbidden, unless the interest effect, being small and peripheral to the main substance of the contract, can be isolated and give away to Muslim charities.
2. Term Life – this is pure insurance – no cash value is involved, no interest is earned: permissible.
3. Variable Life – cash value is involved, but it is invested in stocks only: permissible provided stocks are selected from among the permissible set of stocks (i. e., generally, not banking and other interest loaded companies, no armament and military industries, no other Haram such as breweries and casinos and Hollywood companies, no preferred stocks, no prohibited derivatives) .
4. Tax deferred variable annuity – the insured's cash is invested in stocks only; death benefit guarantees the insured's beneficiary will receive at least as much as was paid in to the policy: permissible with the same condition.
5. Health insurance: permissible.
6. Car insurance: permissible .
7. Home insurance: permissible.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: signing an insurance contract then claiming it is not binding

From: Islam on Line

Sent: March 27, 2002

Name of Questioner Muhammad Country of Res. UK

Question

Assalamu Alaikum brothers, my question was regarding contracts (insurance). I heard that during the time of the prophet (saw) his wife Aisha (ra.a) agreed a contract to free a slave, it turned out that this contract was denying some Islamic principles hence it was an un-Islamic contract, on meeting the prophet (saw) he told her to ignore the un-Islamic terms of the contract (as she wasn't bound by it). What i want to know is can this Hadith be used to justify signing a Insurance contract, because you could sign the contract and ignore the un-Islamic terms which exist in the contract and hence you wouldn't be bound by it. If so, can't we then say that Muslims can sign any un-Islamic contract because they will not be bound by it? Furthermore I've heard people say you can sign a Haram contract as long as you sign with the intention of attaining the actual paper (of the contract) and not agreeing to the contract itself, is this correct? Assalamu Alaikum

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Muhammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The Hadith you refer to is (meaning only) 'Aisha, may God be pleased with her, wanted to buy a slave woman for the purpose of liberating her, the seller insisted on a condition that contradicts the contract itself (the Wala' relation [relation of mutual support between a liberator and the liberated slave] should be to the seller) The prophet, pbuh, told her to accept and let the purchase go through and such a condition is void because such a condition puts a limit on the right of owner as it contradicts the implication of the right of ownership.

The general rules of contracting are expressed in the Qur'an, Verse 5:1 that applies to all conditions in contracts and the Prophet's saying "Muslims must stand by their conditions." This means that all conditions must be fulfilled.

Of course it is apparent that when the law itself voids a condition because it contradicts the nature of the contract such a condition is abolished by law. That was the kind of condition in the case of 'Aisha, mGbpwh. an example of such conditions: If you sell a car and make a condition that the buyer must not ride it, or must not sell it or must not travel in it from London to Birmingham, etc. all such conditions are void by law in the UK and in USA and in Shari'ah.

That doesn't mean you can sign any condition and claim you are not bound by it. For Muslims living in countries that do not apply the Shari'ah as its civil law, the law of the land is binding to them, and they will only fool themselves if they sign a contract, with a condition that is in violation of Shari'ah and claim it is not binding on them! If you sign a contract you will have to fulfill all its conditions unless the other party relieves you of them and signing a contract that contradicts the Shari'ah put the sin on the Muslim who signs, no relief from this sin! Finally, beware intentions do not affect contracts if they are not spelled out in the sections and text of the contract, and there is nothing in Shari'ah that is called "attaining the paper of the contract."

Finally, to get an insurance contract you have to pay the first premium at least, it will then be to your disadvantage to consider it not binding if anything happens!

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Are medical and long term care insurances permissible?

From: Islam on Line

Sent: March 21, 2002

Name of Questioner Jamal

Country USA

Question

Is it Halal to purchase medical insurance and Long Term Care insurance? If not, how do we deal with these potential severe financial events?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Jamal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Please read the Fatwa given on 12/18/2001; the same applies to medical and long term insurance as well as other kinds of insurance.

Wa Allahu A'lam

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Life insurance and educational insurance

From: Islam on Line

Sent: February 27, 2002

Name of Questioner A. S. Country Kenya

Question

Assalamu Alaikum Wa Rahmatullah Allah Wa Barakatuh!!! My question is on Insurance. Would you please advise if insurance is acceptable? We have currently life insurances as well as Educational Insurance for our daughter. Additional to that, we have gone under a Pension Plan Scheme which is compulsory through our offices and I am participating in the Stock Purchase Scheme within the company from long time back. I am working in an Oil related company. I'd also appreciate if you can advise as what would be the most appropriate way to invest your money in the Islamic way I'd appreciate if you can let me know on all the above points step by step through my e-mail address.

Notes

I'd prefer that my name and e-mail address is not published on the web.

My Answer:

In the Name of Allah the Most compassion the Most Merciful

May All Praise and Thanks be to God, the Almighty, The Lord of the Worlds and Peace and Prayers be on His Messenger the Prophet Muhammad and all his Companions and Followers

Dear Sr. A. S.

Assalamu Alaykum Wa Rahmatullahi Wa Barakatuh

Please look at the answer given to Br. Daud above and I add here:

For the Education Insurance for your daughter, you need to check if it is interest based, and most such insurances are, if so you may have to consider changing it.

I can't advice on investments it is a matter of opportunities and availability, the guidelines is to avoid interest transactions and any company that is heavily in the area of interest or any other Haram products or services.

Wa Allahu A'lam

Wassalam

Sincerely,

Monzer Kahf

SUBJECT: Free Life insurance as an employment fringe benefit

Date: 2/16/2002

From: Islam on line writes:

Name of Questioner Khaldoon Country USA

Question:

I Live in the US. My employer gives me life insurance without a fee (as an added benefit). Do I have to follow Islamic laws of inheritance when I figure out the beneficiaries of the policy?

My Answer:

Dear Br. Khaldoon

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

There are two opinions on this matter; both of them have strong arguments:

1- The benefits of an insurance policy are not owned by you. They only become due upon the demise of the insured, especially in the kind of life insurance given with employment package, that is usually term life insurance (in some regular life insurance policies, there is a value of the policy before death. that value is normally owned by either the insured or the person who purchased the policy. This value, if owned by the insured, must go as regular inheritance and be distributed accordingly). Accordingly the beneficiary you assign shall become the first owner of the benefit when the insurance company owes it. There is no inheritance here as you see.

2- The second opinion derives from a Hadith about blood money. a woman was accidentally killed by another woman, the Diyyah (blood money) was ordered distributed by the Prophet, pbuh, in accordance to inheritance rules. The Fuqaha who opt for this opinion argue that here is an example of money not owned by the deceased yet distributed as inheritance. (The reply of opponents: this is an exception of the principle of ownership, and you cannot extend exceptions by analogy.

If I were you, I would appoint a beneficiary who is most deserving, such as wife and children, especially if young, or mother who depends on my support, etc.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Life insurance

From: Islam on line writes:

Date: 2/11/2002

Name of Questioner: osamah Country U S A

Question

Dear Shaikh Assalamu Alaikum Wa Rahmatullah Wa Barakatuh In fact I just started working at a Financial company and a lot of things came to my concern, but mainly two things and they are as follow:

1. Is life insurance Halal or not? If no but what is there to replace it? 2. Is RESP(Registered Education Savings Plan) Halal? Because a lot of people here in North America have problems paying for their education and they have no other choice than taking RESP or take loan for their college which they will have to pay interest on it? But the question is the RESP companies invest the money that is given to them by the people who buy RESP's in something called BONDS, so is it Halal or not. I appreciate your work brothers and I know you guys do a lot of Fatawa but if you would please put this one of your prior ones. Jazakumu Allah Khair Wassalam Alaikum Wa Rahmatullah Wa Barakatuh

My Answer:

Dear Br. osamah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Notice, Dear Brother, that both questions are about issues that are relatively new, that you are not going to find a Verse or a Hadith about them.

1) Life insurance has no substitute in classical Islamic Fiqh. When our classical Fiqh was developed life was much less complicated than it is in our days. They didn't need such a contract and they didn't make it. Sale is true for the registered education saving plan.

Contemporary Fuqaha discussed life insurance in the light of the principles of Shari'ah (that are obviously derived from the Qur'an and the Sunnah). A life insurance contract triggers three issues known in Shari'ah: Riba, gambling and Gharar.

Any contract based on Riba is forbidden in Shari'ah. Riba as you know is one of the most resentful sins in Islam and it is clearly prohibited in verses 275-279 of Surah II. Riba is pivotal in fixed life insurance

policies, because the value of the policy is derived from the accumulation of interest over the invested part of premiums over the duration of the contract. But there are life insurance contracts that do not have this element such as variable equity life insurance and term life contract.

Gharar (that is prohibited in several Ahadith and its avoidance is a corner stone of business contracts in Shari'ah, it means ambiguity in any of the mutual) is in the lack of knowledge of the date payment of the policy value by the company, i.e., the date of death and this may result in unknown number of premiums in certain contracts.

The Gambling factor comes in the risk. Risk in life insurance creates a gambling type of exchange. At the time of contract the company gamble on getting only one premium and having to pay the policy amount any time if death happens, and the policy holder pays one payment and get, by risk chance, a large lump-sum.

The late Shaikh Mustafa al Zarka argued that the amount of risk in life insurance is not as big as it is in gambling, this makes it tolerable, especially that the life insurance contract is useful and provides real service in the contemporary living conditions all over the world, and that the Shari'ah had recognized certain risk management contract, that were part of the life conditions in the part, why not recognizing this too? He also argued that the Gharar element is also tolerable because it is addressed through the theory of probability (large number effect). Most Fuqaha agree with him on the issue of gambling, but only few (though brilliant)! Go along on the issue of Gharar.

Zarka's opinion is that if an insurance contract does not contain interest and its subject is permitted, it must be then accepted from Shari'ah point of view. This applies on all kinds of insurance including life. It means that fixed value life insurance is not permitted because it is interest-based. Term life and any form of variable equity in which premiums are invested in permissible stocks and mutual funds are permissible.

Those who consider the Gharar element detrimental to this contract provide an alternative through Mutual/cooperative insurance. Mutual insurance is not profit making it is like a cooperative pool of funds that helps members who are hit by the insured incidence. Those Fuqaha argue that Gharar is not wiped out in cooperative insurance, in fact it is still there, but the spirit of cooperation overweighs it since cooperation is founded on contributory basis (Tabarru') and Gharar is tolerated in contributions.

2) If funds in SESP are invested in bonds it is Haram since Bonds are interest-generating loans. If funds are invested in permissible stocks and/or mutual funds, the SESP becomes permissible.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA INSURANCE TAKAFUL 2001

SUBJECT: Is Comprehensive Car insurance permissible?

From: Islam on line

Date: 12/18/2001

Name of Questioner

Country of Residence

Question

Can we have car insurance for all the risks, or just the obligatory car insurance?

My Answer:

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Insurance service and contracts were invented and developed over the last four centuries in Europe, then extended to the Americas. They reached the Muslim World in the Nineteen century c.e. Obviously they were not known at the time of revelation of Shari'ah nor at the time of the great scholars who founded the known Fiqh Schools.

Over the last more than a hundred years, Muslim scholars looked at insurance as a new service that accompanies new risks intrinsic to technological applications, and as a contract. Two points of view have developed: One that studies insurance within the context of its environment, i.e., the presence of a large number of persons exposed to similar risks that calls for the application of the theory of probability and what is called the laws of large numbers; and the other looks at insurance as only a specific relationship between two parties regardless of its environment.

The first trend was lead by the late Shaikh Mustafa al Zarka. He argued that, as a new service and contract, insurance groups together the risks of a large number of persons and redistribute them in a manner that makes them bearable. This is a form of healthy cooperation that is compatible with the Universal Objectives of Shari'ah and whence the theory of probability is taken into consideration, the insurance contract does not contain any unbearable amount of ambiguity or undue uncertainty (Gharar). ACCORDING TO THIS VIEW ALL KINDS OF INSURANCE CONTRACTS (CARS, HAZARDS, ACCIDENTS, TRANSPORTATION, LIFE, ETC.) ARE PERMISSIBLE PROVIDED TWO CONDITIONS ARE FULFILLED: 1- the contract must not contain any Riba (interest) element, and 2- the object of insurance must be permissible in Shari'ah (i.e., insuring a shipment of liquor is not permissible). It doesn't matter whether this cooperation is founded by a group of concerned persons in the form of cooperatives or by a venturer person or company that takes charge of offering the service of pooling together the risks of a large number of persons. Consequently, car insurance is permissible for the obligatory liability as well as for the value of the car and the hazards to driver and passengers and every other insurance coverage related to cars and driving them.

According to the other view, any conventional insurance contract between two persons contains elements of Riba, ambiguity, and Gharar. Riba is because you pay a usually small premium and get back a large sum should a risk happens, Gharar because you don't know whether you will get the large sum or not since you don't know whether a hazard will happen, and ambiguity because you don't know the exact amount you get (though you know the maximum only) nor when it is going to be given to you since you don't know when an accident will happen. THIS GROUP OF SCHOLARS ARGUES THAT THESE OBJECTIONS MAY BE OVERRIDDEN WHEN THE SERVICE OF INSURANCE IS OFFERED ON DONATION BASIS THROUGH COOPERATIVES BECAUSE IF YOU GIVE THE PREMIUM AS A DONATION OBJECTIONS OF RIBA, AMBIGUITY AND GHARAR DO NOT APPLY BECAUSE DONATIONS ARE NOT EXCHANGE CONTRACTS. AND IT DOESN'T HURT IF SUCH DONATIONS ARE GIVEN TO A COOPERATIVE WHOSE SYSTEM IS TO COVER THESE RISKS EVEN WITH THE FACT THAT YOU REALLY KNOW THIS COVERAGE IN ADVANCE AND YOU GIVE THE DONATION WITH THE CONDITION THAT SUCH A COVERAGE EXISTS.

According to this view only mutual (cooperative insurance is permitted, the same two conditions mentioned in the first opinion apply here too. Hence, any insurance outside cooperatives is not permitted, and when you are required by law to take it you only take the part you don't have any choice about it.

In my opinion, there are too much artificialities in the second view and I go along with the first opinion, that all insurance is permissible provided the two conditions are observed.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Is health insurance permissible?

From: dialogue@islam-online

Date: 8/7/2001

Name of Questioner Deena Country of Residence

Question:

I always heard that having life insurance is Haram. My questions is, is health insurance Haram too?

My Answer:

Dear Sr. Deena

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

What you've heard always is not accurate

there are three opinions about insurance, no difference between life, health, accidents, and transportation.

One: it is All Haram, because it involves gambling, Riba and Gharar (ignorance and/or uncertainty about the existence of an obligation in an exchange contract).

Two: It only has a great deal of Gharar, hence it is forbidden. If it can be reformulated on the basis of mutual, reciprocal or cooperative company and the premium is then given as contribution (donation or Tabarru'), with a condition of reciprocity, Insurance can then be permissible, because Gharar is permissible in contributory relations not in exchange relations. On this basis what is called Islamic insurance companies were founded in some Muslim countries.

Three: it is permissible provided the contract does not have any other reason for considering it Haram. Such reason may be an interest clause or the object of the insurance may be forbidden like a shipment of spirits.

I go along with the third opinion whose champion is the late Shaikh Mustafa al Zarka.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is reinsurance of Reciprocal insurance permitted?

Date: 8/2/2001

From: dialogue@islam-online

Name of Questioner Mohamud Country USA

Question:

Peace of Allah and His Blessings be upon you. We are a group of Muslim families who want to form a reciprocal (TAKAFUL) fund where if one of the breadwinners died the rest will pay his/her family \$50,000 in order to settle any outstanding debts on the diseased and \$5,000 funeral expenses for each member of the group. In this State of the United States this is called reciprocal insurance and although it's not required to be incorporated or licensed the government requires REINSURANCE of the fund to protect the interest of the members. Our intention of forming this TAKAFUL is to avoid conventional insurance. Our question is are we sinning to reinsure through commercial reinsurance if there are no Reinsurance company that adhere to the Islamic law and it is required by the regulators to either reinsure ourselves for an amount we cannot afford or through conventional reinsurances.

My Answer:

Dear Br. Mohamud

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

The group of Muslim Fuqaha who consider conventional insurance prohibited because of the Gharar involved accept the cooperative or reciprocal type as an alternative provided that installments or premiums paid to the cooperative or the reciprocal insurance entity are given as donations. Their rationale is that when you give donations (Tabarru'at) Gharar is forgiven and in donations one can make certain conditions like the reciprocity condition. Obviously, such donations cannot be given to a profit motivated company. This group was faced, in the early stage of insurance entities organized according to its views, by the same question of reinsurance. The Fatwa of the leading scholar of this opinion, Shaikh al Siddiq al Darir of Sudan, is that until Islamic reinsurance companies are established it is permissible to take reinsurance with conventional reinsurance ones because that is a lesser of an evil. You know that reinsurance is needed by the sound business practice rule of insurance not necessarily as government requirement. This is the way all, what is called, the Islamic insurance companies run their business today!

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Are Pension plans permissible? Aren't they a kind of insurance?

From: dialogue@islam-online

Date: 3/30/2001

Name of Questioner Youssef Country Morocco

Question:

Assalamu Alaykum My question is concerning pension plans, I'm working with a multinational company and we have a subscription with a private insurance company in Morocco for an insurance plan and a pension plan. The pension plan is as follow I pay 6% of my monthly salary and the company in which I work 6% to the insurance company and at the age of 60, I have the right to three options: 1-To get the amount accumulated at ones 2- to get a monthly amount for 10-15 years 3- to get a certain monthly amount until the end of your life. The problem is as follow, the amount that I'm paying each month there is a minimum rate of 4.5% guaranteed but the right benefit of each year is calculated according to the benefits that the insurance company has had each year with this money and is normally between 6 and 8% per year. I don't have any idea where and how the insurance company is investing their money and I don't have the possibility to know. Is this kind of pension plan allowed by Islam or not? Many thanks and God bless you. Assalamu Alaykum.

My Answer:

Dear Br. Youssef,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

The actual and the guaranteed rates are interest. In almost all countries, insurance companies are not allowed to invest the insurance fund in anything other than interest earning assets. This especially applied to group pension funds. You probably know that there are life insurance policies available for more than 10 years in the USA that invest the insurance funds in the stock market, where one can make a selection of funds that have the least involvement in interest and other prohibited transactions. This is out of the question at this moment...

Pension plans that come with employment, in the government and big businesses, in which the employee has no choice of the conditions of the contracts, like this case, were discussed by the greatest Muslim Scholar of the Twentieth Century, the late Shaikh Muhammad Abu Zahrah and he argued that they are permissible for a Muslim individual employee to take them and you don't need to ask about any details of how and why they invest in a certain manner. If Muslims create a pension plan in company

in which they have a decision power they must formulate it without any interest or any other prohibited transaction.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Are Pension plans permissible? Aren't they a kind of insurance?

From: dialogue@islam-online

Date: 3/30/2001

Name of Questioner Youssef

Country of Res. Morocco

Question:

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My Answer:

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Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Insurance for Muslims in the United States

From: dialogue@islam-online.net

Date: 3/3/2001

Name of Questioner Daud

Question:

Assalamu Alaykum WRWB, What are the rulings regarding insurance? In the US, auto insurance is mandatory, but many of us have life, medical and dental insurance also. Jazakullah for any advice you can offer.

My Answer:

Dear Br. Daud

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Insurance is a new contract that was developed in the West over several centuries. It started with Marine insurance that insures shipped mechanizes from one port to another against all marine hazards. It was extended to other areas with time. Insurance contract is usually between an insurer (the company) and an owner (of the policy), and the subject of the insurance may be maritime hazards, other accidents such as fire and natural hazards, health, income (usually from jobs) of life of the owner of the policy or any other person. Insurance relationships depend on the probability theory, without which it was impossible to develop the insurance relationships. This means it depends on a large number of insured things, large to the extent that you can calculate the probability or frequency of occurrence of the insured incidence. In plain terms an insurance contract is one between an insurer and an owner whereby the owner pays known amount(s), called premium, as a lump sum or on intervals and the insurer pledges to pay a given amount if some incidence takes place.

In these plain terms either of the two parties to the contract with the exception of a lump sum payment of premium, does not exactly know his obligations and rights because all that depends on the unknown occurrence of a well-defined incidence. In other words, you don't know for how many month you are going to pay premiums on a car insurance since an accident may happen at any time during the period of the contract and the car may be totaled, and the insurer doesn't know when and hoe much his obligation is because all depends on the date an accident happens, if at all, and on the extent of the damage.

On the other hand, contracts known to our respected Fuqaha are those that were developed over a period of almost three centuries of the Glories of the Islamic civilization, between the first and fourth centuries of Hijrah. After that period we were almost always chewing on our past grandiose achievements. The insurance contract came new to the Muslim land and our Ulama had to deal with it in the light of what we have. There are two contracts developed during those centuries that carry certain ambiguity that may resemble that which is in the insurance contract: Road Security Contract and Guarding Contract. In the road Security Contract one guarantees to compensate another for road hazards (of caravans), and in the Guarding contract one guarantees to provide peace of mind to the other. Yet the first contract is based on Pure voluntary contribution from the guarantor without any premium on the part of the guaranteed, while in the guarding contract the guard does not guarantee any loss, he nly provide his time.

The dilemma with the insurance contract, in the mind of Fuqaha is two folds: 1) you really are exchanging money paid now (premium) for money paid later (compensation or cost of repair); and 2) the great deal of ambiguity that envelops the amount and date of the obligation of the insurer.

The position of contemporary Fuqaha on Insurance: there are four opinions.

1- A small minority, all of them are ninth and tenth level, on a scale of one to ten where one is the best in their knowledge and depth, that since an incidence comes as a will of Allah, an insurance contract gambles on the Will of Allah, it is therefore forbidden. This opinion is discarded because it is

based on misunderstanding. The insurance contract does not prevent hazards and incidences, it rather deals with their financial results.

- 2- A small minority argues that since it involves Riba and Ambiguity (Gharar) it is forbidden and there is no remedy for it. When it is obligatory by law, you have to take it reluctantly, out of being required though it is Haram, and you are InShaAllah not sinful because you did not take it by choice.
- 3- The Majority does not find in the contract any Riba per se and does not like its ambiguity (Gharar). They argue that the Gharar is too much to tolerate. The remedy they offer is to adjust the contract and make it based on mutual cooperation (Ta'awun) and voluntary contribution (Tabarru'). Establish a cooperative for one or all kinds of insurance and make all members (policy owners) give a voluntary contribution to the cooperative with the condition that if the insured incidence happened, the cooperative shall compensate.... They further argue that it is true the ambiguity is still there even in the cooperative, but ambiguity (even big one) is tolerated in Tabarru' contracts while it is not tolerated in exchange contracts.
- 4- On the basis of this opinion several Islamic insurance companies were set up by Islamic banks and other concerned Muslims. But because existing laws in the Muslim countries do not permit establishing cooperatives for insurance and require that an insurance company must have certain minimum capital, they made a company that creates a cooperative fund for insurance and invest its capital with the founding Islamic Bank, i.e., in reality returns its capital to the founders.
- 5- The late Shaikh Mustafa al Zarka argues, essentially on the basis of general rules and the objectives of Shari'ah that this is a new and useful contract and it must therefore be permissible. He refutes the claims of Riba and Gharar by indicating the contract between the two parties must be looked at in the light of the laws of probability and large numbers that in reality preserve the idea of cooperation of the insured; and he brings in the resemblance to the Road Security and the Guarding contracts, he further argues that the conditional Tabarru' is really an exchange and you better face it directly, so what is wrong in some entrepreneur taking it as a business to bring those insured together to a form of cooperation the entrepreneur makes. This means that according to Zarka not only cooperative/Tabarru' based insurance is permissible but also an insurance contract offered by a company that seeks to make profit is also permissible. He puts two conditions for the permissibility of an insurance contract: a) it must have no Riba involved in it; and b) the insured thing must be permissible, i.e., you may not insure a shipment of pork.

This means that:

- 1-Life insurance and other insurance policies offered by Islamic insurance companies are Halal.
- 2- Insurance of all kinds, life and others: are not permissible according to a group of Ulama mainly because they are based on Gharar. Such Gharar becomes forsaken if the contract is based on cooperation and Tabarru' (you give the premium to a cooperative and it compensates those who are hurt).
- 3 - The late Shaikh Zarka believed that insurance is a new contract that must be permissible.
- 4 - Hence, applying the view of Zarka implies that term life insurance and variable whole life must be permissible if you avoid investment in prohibited stocks (for the Variable

life). So are other kinds of insurance. On the other hand fixed-value life insurance is not permissible because its value is the result of placing the investment part of the premium at the guaranteed interest rate.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Employment insurance

From: dialogue@islam-online.net

Date: 3/2/2001

Question

Is insurance of job allowed?

Notes: Assalamu Alaykum, I'm an expatriate working in UAE. Some of the insurance companies here, have recently introduced Insurance schemes covering the loss of job. There are continuous uncertainties in my profession. However, I have not taken this Insurance cover because I'm afraid the security provided by this insurance, in principle goes against the efforts in seeking Allah (SWT)'s protection of my career. I have just seen the Fatwa delivered in this site saying insurance cover for one's properties is not Haram. What is your ruling on this employment insurance?

My Answer:

Dear Br./Sr.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Once we accept the opinion of the Late Shaikh al Zarka on insurance (and I do), that insurance is permissible as long as we avoid Riba and insuring any forbidden thing, job insurance falls within the limit of Halal whether it is managed by a state agency like the social security in America or by private, profit seeking companies, of course if the job itself is permissible.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Is life insurance permissible?

From: dialogue@islam-online.net

Date: 2/14/2001

Question

Assalamu Alaikum warahmat Allah wa barakatuhu wa ba'ad, first question: Life insurance Policy is Halal (allowed) or Haram in Islam? Second question : Is Progress Payment Financing (??) prohibited or allowed? jazakumullahu Khairan, agil

Notes

ps.: progress payment financing means I have a bill with delayed schedule of payment. I bring this bill to the bank to get cash in advance with a little reduction or discount on the amount of the bill. Thanks

My Answer:

Dear Br. Agil

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

1- Life insurance policies provided by Islamic life insurance companies are Halal.

2- Insurance, all: life and other kinds, are not permissible according to a group of Ulama mainly because they are based on Gharar. Gharar here is the unknowing of the number of premiums one has to pay because one does not know when one is going to die, and unknowing the date of payment of the insurance benefit (for the life insurance) and the amount for others (health, hazards and accidents). According to this group such Gharar becomes forsaken if the contract is based on cooperation and Tabarru' (you give the premium to a cooperative and it compensates those who are hurt).

The late Shaikh Zarka believed that insurance is a new contract that has certain similarity to known contracts in the Fiqh traditions. It is permissible if it avoids the known prohibitions: it must be void of Riba and the insured must be permissible (insuring a shipment of wine is not permissible).

3 - Hence, applying the view of Zarka, which I tend to accept, implies that term life insurance and variable whole life must be permissible if you avoid investment in prohibited stocks (for the Variable life).

4- Progress Payment Financing: I need more details, I am not clear about it.

5- Discounting commercial and other debts of future maturity is forbidden. It is the same Riba but going backward instead of forward. There is a resolution by the OIC Fiqh Academy on this prohibition.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Insurance of personal belongings

Date: 1/16/2001

To: scitech@islam-online.net

Name of Questioner: Gale

Question

Can I insure my belongings? I rent a townhouse and in the past I have been robbed.

My Answer

Dear Sister Gale:

Assalamu Alaikum,

Al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah.

I really believe that the opinion of the late Shaikh Mustafa al Zarka is excellently respectable, useful and consistent with the basic rules of Usul al Fiqh and the objectives of Shari'ah. In brief, his opinion can be summarized in the following:

The insurance contract is a new and useful one, it came about as a result of new technological inventions and new economic relationships that resulted in having a large number of people having similar protection needs, it does not violate any of the established rules of Shari'ah, it has precedents in known contracts in Shari'ah and the ambiguity that appears in it is only because we look at it in isolation of the circumstances of its reason d'être, the large number and applications of probability theory. If the contract does not involve any other prohibition it must be permissible. Examples of other prohibitions are: an interest clause or its subject being forbidden (e.g., transportation of alcoholic beverages).

CONSEQUENTLY: KEEPING THE ABOVE IN MIND, IT IS PERMISSIBLE TO INSURE HOUSES, CARS, BELONGINGS, ETC.

Wa Allahu A'lam

Sincerely,

Dr. Monzer Kahf

FATAWA INSURANCE TAKAFUL 2000

SUBJECT: Is Insurance Permissible and under what conditions?

Date: 12/8/2000

To: dialogue@islam-online.net

My brief answer:

Dear Sister Nuzhat

As Salamu Alaikum,

You asked about insurance and interest.

Al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah,

1- There are two main opinions about insurance: a- the majority's opinion: insurance run by profit-making companies is not permitted because its exchange contract involves great deal of Gharar. Gharar is ignorance or ambiguity. It applies in the contract to the commitment of the insurance company, both the amount and its due date. However, it is not sinful to undertake any insurance that is required by law or by employer's system. The solution is to create a insurance Islamic cooperative (mutual). Or participate in one that exists. In a cooperative you pay a premium as a contribution to the insurance pool of funds and if any thing is left it will distributed back to the members (contributors) and if the pool wasn't sufficient they go back to members for the deficit, usually in the form of an increase of next period's contribution. The Gharar in this arrangement is still there, but the condition of avoidance of Gharar is relaxed in cooperative/contributory entities that are based on some kind of membership relationship while it is a must in exchange contracts.

2- The minority's opinion is that insurance contracted with a profit making is permissible on the ground that this Gharar is only apparent not real because the relationship is in reality based on the statistical laws of probability that only applies to large number and when you look at it from this angle it is a form of cooperation created by an entrepreneur, venture taker, who put together the premiums of the policy holders in an insurance pool of fund. The function of this entrepreneur is new, legitimate and beneficial and she deserves compensation in term of profit (or loss if she didn't do it right or did it at the wrong time, etc.).

In both views the insured thing must be permissible (Halal) e.g., it is forbidden to insure a shipment of alcoholic beverages and the transaction must not involve any interest as interest is prohibited too, e.g., a fixed-amount life insurance includes interest which is compound and it accrues on the investment part of the premium for the duration of the policy.

3- Interest that is practiced in banks here in America and in many conventional financial contracts is the same as Riba that is mentioned in the Qur'an, it is strongly prohibited with a declaration of war by the Almighty Allah and His messenger (Surah 2 Verse 279). Muslims must avoid interest in their transactions wherever they live, in America or in the Middle East.

Wa Allahu A'lam,

Monzer Kahf

SUBJECT: Is insurance permissible?

To: islam-online.net

Date: 7/9/2000

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

Wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

In the circles of contemporary Shari'ah scholars, there are three opinions about Life insurance, and for that matter all types of insurance too. They all recognize that it is a new contract not known in the history of Fiqh. A minority considers it Haram and it recruits all kinds of argument against it including Riba, gambling, Gharar and speculation on the will of Allah. This view does not carry much weight.

The second view is that it contains Gharar because no one knows whether the liability of the insurer (the company) will ever materialize nor when it will, if ever. This is a serious Gharar that lead to a major defect in the contract. It is therefore forbidden, (more to come on this opinion).

The third opinion is presented by the late Shaikh Mustafa al Zarka, until his death last July he was the uncontested most knowledgeable Shari'ah scholar. Le argued that the Gharar in the contract is remedied by the fact that it is a contract based on overwhelming statistical knowledge and the application of the theory of probability. With this in mind there is no Gharar on the part of the insurer. And the contract is permissible with 2 conditions that it contains no Riba clause and that its subject (insured thing) be legitimate. These 2 conditions rule out regular fixed - return life insurance because the value of the policy is the outcome of investment premiums at a compounded rate of interest, (while variable - return life is permissible if the funds are invested in Shari'ah approved stocks or mutual funds). They also rule out insuring a prohibited activity such as casinos or legs of belly dancers.

The advocates of the second opinion argue that the Gharar problem applies only in exchange contracts. If the contract is modified and restructure on the basis of cooperation or mutuality, where there will be an association of the insured instead of a profit motivated insurer company, the Gharar is then tolerated. This is so because the relation between the association and its members become based on contribution (Tabarru') rather than exchange and a Tabarru'' can accommodate certain conditions (i.e., that the association compensate in case a hazardous event happens) . On the basis of this all the "Islamic insurance companies" were established. In this regards al Zarka adds that if a mutual or cooperative insurance exists he prefers it to profit motivated insurance out of his respect to the opinion of opponents.

There is an old argument (from the 1950s), even by those who oppose insurance, that whenever insurance is forced by law, one must do it and one is excused, from Shari'ah point of view. This includes car insurance, social security, workman compensation, and employer's imposed insurance if it is not optional for the employee.

to this I add another element that if the insurance provided by the employer is paid completely from the employer, i.e., given as a fringe benefit without deducting any part of the premium from the pay checks, then it is a kind of grant from the employer and if a hazard happens the paid policy amount is Halal because the it is an outcome of the grant.

Now think for yourself: if your life insurance is only term life, you may apply the opinion of Shaikh Zarka, and if it is imposed by employer, you also have room to accommodate, and if it is a grant from employer it is also tolerated. Otherwise you need to see the specifics of the contract you have and determine, in the light of the above briefing, whether you keep or seek to withdraw from it.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf
