156877 - Is Phone Insurance Prohibited in Islam?

the question

I want to know if mobile phone insurance is permissible as per Islamic Shari`ah. This is where I insure my mobile phone, pay insurance premium every month to the Insurance provider and if I lose it or it gets stolen then the Insurance provider will give me a new phone; same model, same make.

Summary of answer

Insuring a mobile phone is a type of commercial insurance which is prohibited in all forms because it involves gambling, ambiguity and interest.

Detailed answer

Praise be to Allah.

Insuring a mobile phone is a type of insurance, namely commercial insurance, and we have previously stated that commercial insurance of all forms is prohibited, because it involves gambling, ambiguity and interest.

Shaykh Ibn `Uthaymin (may Allah have mercy on him) said:

The meaning of insurance is when a person pays a certain amount of money to the company every month or every year so that the company will be liable for any accident to the insured item.

It is well known that the one who pays for insurance will lose out in any case, but the insurance company may win or lose, i.e., if the accident is serious and costs more than what the customer has paid, then the company will be the loser; if the accident is minor and less than what the customer paid or there is no accident at all, then the company will be the winner, and the customer will be the loser.

This kind of contract which is subject to winning or losing is regarded as gambling which Allah has forbidden in His Book and mentioned alongside drinking alcohol and worshipping idols.

Based on that, this kind of insurance is prohibited and I do not know of any kind of insurance based on ambiguity that is permissible. Rather it is all prohibited because of the Hadith of Abu Hurayrah (may Allah be pleased with him) according to which the Prophet (blessings and peace of Allah be upon him) forbade ambiguous transactions. (End quote from Fatawa `Ulama' Al-Balad Al-Haram, p. 652)

Shaykh Salih Al-Fawzan (may Allah preserve him) was asked:

What is the Shar`i ruling on insurance where, for example, a person pays a sum of money every month or every year to the insurance company to insure his car, and if there is a accident and his car gets damaged, they pay the costs of repair; an accident may or may not happen to the car throughout the year, yet despite that he is obliged to pay this annual fee. Are such transactions permissible or not?

He replied:

Car insurance or any other type of insurance is not permissible, because it involves risk, and it involves consuming people's wealth unlawfully. What the individual must do is put his trust in Allah, may He be Exalted, and if something happens to him by Allah's decree, he should bear it with patience and pay the costs and losses that result from it from his own money, not from the money of the insurance company. And Allah, may He be glorified and exalted, is the One Who helps in such matters and others. (End quote from Al-Muntaqa min Fatawa Al-Fawzan, 76/4-5)

And Allah knows best.