286248 - Ruling on working as a middleman between people and insurance companies to make money from that and reduce premiums paid by policyholders

the question

I have been told that car insurance is Harram but because it’s a legal requirement here in the UK; it becomes permissible. At the moment car insurance companies seem to be charging very expensive prices towards young people such as myself because they feel young drivers are more dangerous and more likely to get into a car accident. To solve the problem I came up with a business idea where I am a middleman (a broker) between insurance companies and young drivers, i have come up with a system where young drivers first pay the same high price that everyone is charging them but if they get into no accident they get some of their money back. This way I will attract more customers for insurance companies and because of the money the customers are getting back, they are more likely to drive a bit more sensibly. And I will be taking a small commission from both sides for my services. My question is; is my business harram because insurance and anything to do with insurance is harram in Islam, or is it allowed because I am only a middleman/broker not the actual insurance company all I a m doing is introducing the two parties to each other and in the UK car insurance is a necessary requirement by Law in order to drive a car (and in my way there is more good because at least people pay less

Detailed answer

Praise be to Allah.

Firstly:

Commercial insurance is haram in all forms, because it is based on ambiguity and gambling, as well as riba (usury). Hence it is the exchange of money for money, with the possibility of increase or decrease. This has been discussed previously in the answers to questions no. 8889, 130761 and

205100.

It says in Fatawa al-Lajnah ad-Daa'imah (15/246): Commercial insurance is haram, for the following reasons:

1.

The commercial insurance policy comes under the heading of financial transactions based on probability and involving extreme ambiguity, because the policyholder cannot know at the time of entering into the contract (policy) how much he will give or take. He may make one or two payments, then a disaster may occur because of which he becomes entitled to take what the insurance company committed to give, or no disaster may ever happen, in which case he will end up making all the payments and taking nothing. Similarly, the insurance company cannot determine how much it will give or take in any particular contract or policy. It is narrated in a saheeh hadith from the Prophet (blessings and peace of Allah be upon him) that transactions based on ambiguity are prohibited.

2.

Commercial insurance contracts (insurance policies) are a type of gambling, because there is too much risk involved in this kind of financial transaction; there is the risk of loss being incurred by one party without being at fault or causing wrong action, and there is the possibility of making gains for nothing in return, or for a little in return that is not equal to the gain. The policyholder may make one payment, then an accident may occur because of which the insurance company is required to pay out the entire sum (as stated in the policy), or there may be no accident or disaster, yet the insurance company will gain by receiving instalments for nothing in return. When ambiguity becomes so great, the transaction becomes like gambling and comes under the general prohibition on gambling that is mentioned in the verse in which Allah, may He be exalted, says (interpretation of the meaning):

"O you who have believed, indeed, intoxicants, gambling, [sacrificing on] stone alters [to other than Allah], and divining arrows are but defilement from the work of Satan, so avoid it that you

may be successful.

Satan only wants to cause between you animosity and hatred through intoxicants and gambling and to avert you from the remembrance of Allah and from prayer. So will you not desist?”

[al-Maa’idah 5:90-91].

3.

Insurance contracts or policies involve riba al-fadl [when similar commodities are exchanged unequally, such as one measure of dates for two measures of a different quality of dates] and riba an-nasaa’ [when the amount of debt is increased when the debtor is unable to pay off the debt at the appointed time and requests extra time in which to pay it off]. If the insurance company pays the policyholder or his heirs, or some other beneficiary, more than the total amount that was paid to it, then this is riba al-fadl; if the insurance company pays that money to the policyholder sometime after the beginning of the contract or policy, then it is also riba nasa’. If the company pays the policyholder the same amount as he paid to them, then that is riba nasa’ only. Both types of riba are haram according to both the religious texts and scholarly consensus.

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‘Abdullah ibn Qa‘ood, ‘Abd ar-Razzaaq ‘Afeefi, ‘Abd al-‘Azeez ibn ‘Abdillah ibn Baaz. End quote.

But if someone is compelled to take out insurance, as in the case of auto insurance, then there is no sin on him, but it cannot be said that insurance has become permissible, because it is an unlawful (haram) contract, and the sin involved is borne by those who make it compulsory.

Hence it is not permissible for you to work as a middleman in order to make a profit from this insurance, even if that will help to reduce premiums for young people, because it is not permissible to make a profit by promoting an unlawful contract, especially if it involves riba. Muslim (1598) narrated that Jaabir said: The Messenger of Allah (peace and blessings of Allah be upon him) cursed the one who consumes riba and the one who pays it, the one who writes it down and the two who witness it, and he said: they are all the same.

This is indicative of the gravity of the sin involved in helping with riba in any way.

And Allah knows best.