102969 - Is Car Insurance Prohibited in Islam?

the question

What is the ruling on insuring a car? In case of an accident, the insurance company pays all repair fees instead of the other side.

Summary of answer

Car insurance is not permissible in Islam because it insures one against accidents involving others, and this comes under the heading of commercial insurance which is forbidden in Shari`ah, because it is based on uncertainty and consuming people’s wealth unlawfully.

Detailed answer

Praise be to Allah.

Is car insurance prohibited in Islam?

This question was put to Prof. Dr. Su`ud ibn `Abdullah Al-Fanaysan, the former dean of the Faculty of Shari`ah in the Imam Muhammad ibn Su`d Islamic University, and he replied:

Car insurance is not permissible because it insures one against accidents involving others, and this kind of insurance comes under the heading of commercial insurance which is forbidden in Shari`ah, because it is based on uncertainty and consuming people’s wealth unlawfully.

The fatwas of the majority of scholars in Fiqh councils and fatwa organisations forbid commercial insurance as it exists today in most countries of the world, if it is optional and no one is obliged to purchase it.

When does car insurance become permissible in Islam

But if it is compulsory insurance and one has no choice, then it is permissible to take out car insurance, for example, and the sin is on those who forced others to do it, based on the principle of "necessities which make forbidden things permissible".

But the person who is forced to take out car insurance, for example, should not take more than what he paid, if the company compensates him for harm suffered, based on the principle of "necessity should be properly estimated (without exaggeration)".

The Muslim should strive for the sake of his religious commitment and honour, and keep away from prohibited things or that which may be prohibited, as mentioned in the Hadith narrated by An-Nu`man ibn Bashir (may Allah be pleased with him): "That which is lawful is clear and that which is prohibited is clear, and between them are doubtful matters which many people do not understand. Whoever guards against the doubtful matters will protect his religious commitment from shortcomings and will protect his honour from slander, but whoever falls into that which is doubtful will fall into that which is prohibited…" (Narrated by Al-Bukhari, 2051 and Muslim, 1599) And Allah knows best. (End quote)

The fatwas of scholars on the ruling on car insurance

Among the fatwas of scholars on the ruling on car insurance are the following:

- Fatwa by Shaykh Ibn `Uthaymin (may Allah have mercy on him), when he was asked: Recently there has appeared that which is known as insurance, for wealth, business and cars, and there are now companies which deal with this and insure cars in the sense that if the car is in an accident they will pay for its value and if people are killed as a result of the accident they will pay the Diyah (blood money). What is your view, seeing that they describe the insurance as a kind of cooperation? What is your opinion, may Allah reward you with good?

He replied:

According to what you have mentioned, we think that this is prohibited, i.e., for the car owner to pay money each month or each year to this company, and the company will pay up if an accident happens with this car. We think that this is prohibited, and that it is a kind of gambling, which Allah mentions alongside worshipping idols and drinking alcohol. Allah says (interpretation of the meaning):

{O you who believe! Intoxicants (all kinds of alcoholic drinks), and gambling, and Al-Ansab (stone altars for sacrifices to idols etc.) and Al-Azlam (arrows for seeking luck or decision) are an abomination of satan's handiwork. So avoid (strictly all) that (abomination) in order that you may be successful.} [Al-Ma'idah 5:90]

The reason is that if this policy-holder pays five hundred riyals per month, then he will pay six thousand riyals per year, and perhaps he will have an accident in this year which incurs costs of twenty thousand riyals, or perhaps he will have no accident. If the former happens, i.e., an accident which incurs costs of twenty thousand riyals, then the policyholder who paid insurance will be a winner and the company will be a loser. But if the opposite happens and no accident takes place during the year, then the company will be the winner and the policyholder will be the loser.

This is the essence of gambling, so it is prohibited and it is not permissible for a person to get involved in it. Do not be deceived by what people do because Allah, may He be blessed and exalted, says (interpretation of the meaning): {And if you obey most of those on the earth, they will mislead you far away from the path of Allah.} [Al-An`am 6:116]

My advice to my brothers is to boycott this insurance. As for their saying that it is a kind of cooperation, this is as false as it can be. Can anyone who does not get involved in this insurance benefit from this organisation? No he cannot, rather it is insurance which involves gambling. (End quote from *Liqa'at Al-Bab Al-Maftuh*, 23/158)

- Fatwa of Shaykh Salih Al-Fawzan (may Allah preserve him) when he 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, in case an accident happens in which his car is damaged, so that they will pay for the cost of repairs, which may or may not happen to the car during this year, but despite that he is obliged to pay this annual fee. Are such transactions permissible or not?

He replied:

It is not permissible to insure cars or anything else because it is a risk and it is consuming people's wealth unlawfully. What people must do is put their trust in Allah and if anything happens to a person by the will and decree of Allah then he should be patient and pay the costs and penalties that result from that from his own wealth, not from the wealth of the insurance company. Allah is the One Who will help him with these things and others, so he should not resort to insurance companies and what they involve of risk-taking and consuming people's wealth unlawfully. Moreover, when car owners insure their cars and know that the company will pay the penalty, this makes them careless when driving and so they may cause harm to people and their property, unlike the case if they know that they will bear the costs and they will be responsible, in which case they will be more cautious.

We said that insurance is consuming people's wealth unlawfully, because the penalty that is paid by the company may be many times greater than the payments made by the policyholder, so he is consuming people's wealth unlawfully. Or the policy holder may not be involved in any accident, in which case the company is consuming his wealth unlawfully. (End quote from *Al-Muntaqa min Fatawa Shaykh Al-Fawzan*)

And Allah knows best.