184222 - Life Insurance and Death Benefits in Islam

the question

I had a brother who worked for a foreign company, and he passed away, and his company gave us some money from his life-insurance. I know that this money is prohibited, so I put it in a separate account in the bank and I use it for charitable purposes only. I do not use a single pound of it for any personal interest. But now I am in great need of the money for an important matter that cannot be delayed, and I have a shop that I am going to put up for sale, but right now I cannot sell it. Can I use the insurance money, temporarily, to meet my needs so that I will be able to sell the shop and put back what I took from the insurance money? Or is that not permissible?

Summary of answer

While life insurance itself is generally prohibited in Islam, the death benefits received by heirs can become permissible under specific circumstances. If the money is inherited, it is allowed for the heirs to accept and use it, provided that it is not prohibited in its essence, and it should be distributed among the heirs according to Shari`ah.

Detailed answer

Praise be to Allah.

Is commercial insurance permissible in Islam?

Commercial insurance of all types is prohibited, because it involves interest, gambling and ambiguity. The Muslim should avoid it as much as he can. But if he cannot do that, and he is obliged to take out insurance, then he is entitled to take of it as much as he paid in; if there is anything more than that, then he has to get rid of it by spending it on charitable causes.

This is what is to be said to the owner of the money, and this is the basic principle with regard to

the ruling on this issue.

Inheritance of life insurance money: When does it become permissible?

But it is a different matter when the money is transferred to the heirs, provided that the money is not prohibited in and of itself; rather it is prohibited because of the way in which it was acquired. This includes what the question is asking about here, which is acquiring money as a result of an insurance contract. Interest, gambling and ambiguity have to do with the money that is prohibited because of the way in which it is acquired; the money is not prohibited in and of itself. If the money is prohibited because of the way in which it is acquired, the sin is only on the one who acquired it and there is no sin on the one who engages in a transaction with the one who acquired it, such as buying, selling, gift-giving, or hosting a guest.

The evidence for that is the fact that the Prophet (blessings and peace of Allah be upon him) used to engage in transactions with the Jews in Madinah, buying and selling, and he used to eat with them, even though Allah, may He be exalted, had described them as consuming interest and taking people's wealth unlawfully.

Based on that, when this money that was acquired by prohibited means was transferred to the heirs, it became permissible for them. This is the view of the Malikis and was regarded as more correct by Shaykh Ibn `Uthaymin (may Allah have mercy on him).

Al-`Allamah Muhammad `Ulaysh Al-Maliki (may Allah have mercy on him) said: There is a difference of opinion concerning wealth that was acquired by prohibited means, such as interest and invalid transactions. If the one who acquired it in that manner dies and leaves it behind, is it permissible for the heirs – which is the correct view – or not? As for wealth that is prohibited in and of itself, and its rightful owner is known, such as wealth that was stolen or taken by force, it is not permissible for the heir. (End quote from *Minah Al-Jalil Sharh Mukhtasar Khalil*, 2/416)

Shaykh Al-`Uthaymin (may Allah have mercy on him) was asked:

If a person inherits wealth from someone, and he knows that part of this wealth, such as ten

thousand or twenty thousand – is obviously prohibited interest, but he does not know about the rest, or it is mixed, then what should he do with the interest that is obviously prohibited?

He replied:

There is nothing wrong with it, and it is lawful for him, because he took possession of it in a permissible manner, namely inheritance. But if you know that this is the property of a particular person, and that the deceased took it by force, then in that case it is not permissible for you. But if it was prohibited because of the way in which it was acquired, such as interest and the like, then in this case there is nothing wrong with it. (End quote from *Liqa'at Al-Bab Al-Maftuh*, 213, question no. 12)

The role of heirs in distributing life insurance benefits

Thus you will know that this wealth that the company gave to you should be divided among the heirs of your brother according to the shares of inheritance allocated to them by Shari`ah. Hence you may ask permission to borrow or use the money from its rightful owners.

For more details, please see the following answers: 20709, 39661, 85419, 87747, 180521.

And Allah knows best.