8889 - Is Insurance Haram?

the question

What are the rulings on commercial insurance which is widespread nowadays?

Summary of answer

Commercial insurance is haram in Islam because it is a form of riba and it is based on gambling and uncertainty. It also consumes people's wealth unjustly. Co-operative insurance is also haram in Islam. For more, see the detailed answer.

Detailed answer

Praise be to Allah.

Commercial insurance is a form of riba

All kinds of commercial insurance are clearly and undoubtedly riba (interest/usury). Insurance is the sale of money for money, of a greater or lesser amount, with a delay in one of the payments. It involves *riba al-fadl* (interest-based transaction) and *riba al-nasiah* (interest to be charged if payment is delayed beyond the due date), because the insurance companies take people's money and promise to pay them more or less money when a specific accident against which insurance has been taken out happens. This is riba, and riba is forbidden in the Quran, in many ayat.

Commercial insurance is based on gambling

All kinds of commercial insurance are based on nothing but gambling which is haram according to the Quran:

"O you who believe! Intoxicants (all kinds of alcoholic drinks), and gambling, and Al-Ansab (stone altars for sacrifice to idols etc.) and Al-Azlam (arrows for seeking luck or

decision) are an abomination of Shaytan's handiwork. So avoid (strictly all) that (abomination) in order that you may be successful." (al-Maidah 5:90 – interpretation of the meaning).

All kinds of insurance are kinds of playing with chances. They tell you, pay this much money, then if this happens to you we will give you this much. This is pure gambling. Insisting on differentiating between insurance and gambling is pure stubbornness that is unacceptable to any sound mind. The insurance companies themselves admit that insurance is gambling.

Insurance is based on uncertainty

All kinds of insurance are forms of uncertainty, and transactions which involve uncertainty are forbidden according to many sahih ahadith, such as the hadith narrated by Abu Hurayrah (may Allah be pleased with him):

"The Messenger of Allah (peace and blessings of Allah be upon him) forbade transactions determined by throwing a stone and transactions which involved some uncertainty." (Narrated by Muslim).

["Transactions determined by throwing a stone" – this was a type of transaction that was prevalent in the markets of pre-Islamic Arabia, whereby a stone was thrown by either the buyer or the seller, and whatever it touched, its transaction became binding. "Transactions which involve some uncertainty" – is a transaction in which there is no guarantee that the seller can deliver the goods for which he receives payment. Footnotes from the translation of Sahih Muslim. (Translator's Note)]

All forms of commercial insurance are based on uncertainty of the most extreme kind. Insurance companies and those who sell insurance refuse to insure cases except where there is clear uncertainty in whether or not the condition being insured against will happen or not.

In other words, the condition being insured against must have a possibility of happening or not happening (as opposed to, for example, someone who has a pre-existing condition, such as a

person who is on death row applying for life insurance--translator.)

Moreover, this transaction involves something uncertain, which is when an accident will happen and the extent of the damage caused. Hence insurance combines three kinds of extreme uncertainty.

Commercial insurance consumes people's wealth unjustly

All kinds of commercial insurance consume people's wealth unjustly, which is haram according to the Quran:

"O you who believe! Eat not up your property among yourselves unjustly" (al-Nisa 4:29 – interpretation of the meaning).

All forms of commercial insurance are fraudulent transactions aimed at consuming people's wealth unjustly. The precise statistics calculated by one of the German experts state that what people get back from what has been taken from them is no more than 2.9%.

Insurance is an immense loss for the nation, and there is no evidence or excuse to be found in the actions of the kuffar who have lost the ties of kinship and friendship and are therefore forced to resort to insurance, which they hate as much as they hate death.

These are only some of the violations of shari'ah which insurance is essentially based upon. There are numerous other violations which we do not have room to mention here, and there is no need to do so, because just one of the violations which we have mentioned above is sufficient to make insurance one of the things which is most prohibited in the Shari'ah of Allah.

It is a shame that some people are deceived by the ways in which the insurance companies make insurance attractive and confuse them by calling it "cooperative" or "mutual support "or "Islamic", or other names which do not change the unjust nature of insurance in the slightest.

Is cooperative insurance halal?

The insurance companies' claim that the 'ulama have issued fatwas stating that so-called "cooperative insurance'' is halaal, is a lie. The reason for this confusion is that some insurance companies approached the 'ulama with a deceitful set-up which has nothing to do with any kind of insurance, but they said that it was a kind of insurance which they called "cooperative insurance " (to make it sound attractive and to confuse the people).

They said that it was purely in the nature of a donation, and that it was a kind of the cooperation enjoined by Allah in the ayah (interpretation of the meaning): **"Help you one another in Al-Birr and At-Taqwa (virtue, righteousness and piety)…"** (al-Maidah 5:2), and that the aim was to cooperate in alleviating the overwhelming disasters that may befall people.

But in fact what they called cooperative insurance was just like any other kind of insurance; the only difference was in the way in which it was set up, not in its essential nature. It was far from being any kind of simple donation or cooperation in righteousness and piety; in fact it is a kind of cooperation in sin and transgression. It was not aimed at helping to relieve the distress of calamities, but at depriving people of their wealth by unjust means, which is absolutely haram, as are other kinds of insurance. Hence what they proposed to the 'ulama is not even insurance at all.

With regard to the claim made by some, that part of the premium (money paid to the insurer) is returned, this does not change anything and does not free insurance from the taint of riba, gambling, transactions based on uncertainty, unjust consumption of people's wealth and going against the principle of trusting in Allah (tawakkul), and other kinds of haram actions.

Insurance is deceit and confusion. Anyone who wishes to learn more should refer to the essay *al-Tamin wa Ahkamuhu* (Insurance and its rulings). I call on every Muslim who has pride in his religion and whose hopes are focused on Allah and the Last Day to fear Allah and to avoid all kinds of insurance, no matter how attractive their proponents make them, for they are undoubtedly forbidden. In this manner he will protect his religion and his wealth, and he will be blessed with security from the Owner of security, may He be exalted.

May Allah help me and you to have insight into matters of religion and to do that which is pleasing to the Lord of the Worlds.

And Allah knows best.