

## Insurance: An Islamic Viewpoint

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### *Abstract*

*Insurance is a co-operative (contractual) system among people to carry out the results of tort that may happen to anyone of them and pay his losses and damages. Insurance began with a co-operative nature then ended up as commercial (business). Islamic scholars (Imams), addressed Insurance because it is new and it was imported to our societies. Scholars had different pointviews about Insurance, which were divided mainly to: 1- Those who consider insurance Halal (accepted). 2- Those who consider insurance Haram (forbidden). 3- Those who consider commercial insurance done by companies as Haram and suggest co-operative and governmental insurance (social security). 4-Those who consider insurance Haram (forbidden) and suggest Islamic insurance in two stages. 5- Those who consider insurance Haram and suggest Islamic insurance through the application of Zakat.*

**Key Words:** *Insurance, Co-Operative, Insurance, Social Security and Zakat.*

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### **Introduction**

Insurance began as a co-operative movement among community members. It roots back to the days of Prophet Yousef in Egypt, between Mecca traders through their two trading jou rneys (to Yemen in winter and to Syria in Summer) and in England among sailors who agreed to participate by some of their revenues( sales) to purchase new ships for any member of them who happens to lose his ships or goods in the sea. Since these times insurance turned to be commercial, fulfilled by companies (Insurer) in exchange of premiums, to be paid by all insured persons in order to receive compensations when tort (damage) happens.

### **Study Aims:**

Insurance invaded our land under the protection of our enemies in different ways and kinds, as health, life insurance, social security and insurance of accidents.

Islamic Scholarly (Imams) studied insurance kinds and principles to guide and help Muslims deal with it by publishing Islamic opinions (Fatawa) in insurance. This study introduces these studies' findings and conclusions.

### **Study Importance:**

The study abstracted Muslims confrontations, research, studies and opinions about insurance in one place for the sake of Islam to gain Allah's (Subhanah) acceptance.

### Research Problem

Muslims made many researches, symposiums, conferences and meetings, published books and magazines about insurance which ended with different opinions about different kinds of insurance. This research will reply the following questions:

- 1- Is insurance allowed "Halal" or forbidden "Haram" and why?
- 2- Is there a kind of accepted insurance "Halal", that agrees with Islamic rulings?
- 3-Do Islamic system, doctrines and thoughts contain or imply an equivalent substitution for insurance?

### Research Hypothesis

- 1- Insurance is Halal.
- 2- All insurance kinds are Halal.
- 3-Islam doesn't contain any ideas about insurance.

### Research Model

Independent variables	Dependent variable
Quraan verses Sunah Fatawa	Insurance

### Theoretical Framework

After the fall of Islamic Empire in 1917, it was divided into countries, the one ruler became many rulers, and the Islamic system changed to a civil one. No Zakat but taxes, no Waqf (Endowment) but Ministry of Awqaf and Islamic Affairs, no Shariaa but civil(Western) laws, there are banks with riba(interest), insurance companies and social security, no Islamic teaching (Fiqh) no culture which means that Islam turned back to be strange as it was at the first beginning in Mecca. The Jewish State is ruling now from Euphrates River to Nile River, in addition to other Islamic Parties that were founded by Jews.(AlAqaad:1980).

In this situation and environment they introduced Insurance companies and social security. Muslims and their scholars faced the phenomena and made the following responses (Fatawa) opinions:

**One:** Those who consider insurance (Halal), Lawful and acceptable for the following reasons (Alzarqa 1976)

1- Islamic Holly Qur'an and Sunna of the Prophet Muhammad Peace Be Upon Him (PBUH) didn't mention insurance directly or indirectly, so because there is no "Verse "or "Hadith" which prevent insurance , so it will be "Halal".

2- Insurance is a co-operative movement (activity), so what can prevent the father or parents from helping their kids especially after they depart.

The advocates of this opinion were three in 1962, only one in 1990, however there is not a single Scholar or Faqih who agrees with this opinion or backs it now.

To respond or comment:

1- Many subjects which are more important than insurance like prayer times and frequency throughout day length, were not mentioned in Quraan or Sunna. Smoking also became "Haram" although it was never mentioned in Quran and Sunna too and thus insurance can be treated the same way.

2- Co-operation is Halal in general, but with Co-operative movement in particular which is founded in 1844 in Rochdale village in England, to establish co-operative societies, with members to pay capital for stocks and receive interest (Riba) for them and reward for their transactions with the society is Haram. So this co-operation is Haram due to also additional reasons that will be mentioned later in the paper.

**Two:** - They consider Insurance as Haram, "Forbidden" for the following reasons (Hassan 1976).

1-Insurance is a contract that involves the Insurer (insurance company), the insured person (who pays the premium to the company,) and the beneficiary who may receive compensations from the insurer or the insured. Without tort or damage to the insured the insurer will not pay anything to him. So the insured doesn't know if he can take, how much and at what time. These probabilities make the contract in Islam is "Gharar" or the verb of (betray), which is "Haram" in Islam. It is a similar case to buying or selling birds in the sky or fish in the sea.

2-The insured person may pay premium without reward, which means in Islam "to eat up not one another's property unjustly way, e.g. stealing, robbing, deceiving..."(Surah 2. AlBaqarah:186).

3- The insured may take a compensation (reward for tort) more than the premium, which is Riba and Haram.

4- Insurance is similar to gambling, (Surah 5.Al-Ma'idah:90), which is forbidden in Islam.

5- The essence of insurance is to insure, means to protect the insured part from being in danger and thus suffering the tort and damage. However the insurer cannot protect himself from being in danger and tort, nor the insured, thus insurance became as if insurer is merchandizing in premiums. If the damages and compensations are more than what was expected and the insurer faces losses, he will not pay for any reason as: the damage is out of the contract (the nearer reason which is an insurance principle), so insurance became cheating and deceiving.

**Three:** Those who consider insurance (commercial insurance by companies), as Haram, and suggest a new form (AlSayyad 1976)

a- Co-operative insurance

b- Governmental insurance (social security)

a-Co-operative insurance: scholars of co-operation mentioned that there were three schools of co-operation:

1-Pure co-operation: co-operation just for co-operation, but its fellowships are little.

2- Co-operation as a way to the socialist (social community), which succeeded in United Arab Republic, 1960 (Egypt & Syria), India and Yugoslavia.

3- Co-operation to the Communist society, which succeeded in China and Soviet Union.

These schools contradict directly with co-operation principles and goals (aims):

- The open door for membership
- The neutrality of politics, religions and adjective sectarian (communal)
- Management democracy which means that there is no priority for any member to take a managerial position in the co-operatives, also the deficit must be divided equally among members.
- A limited return on the transactions (exchange) between the member and the society, and limited interest on his capital.

By studying these principles:

- Co-operatives divide society to rich and poor, and harass the struggle among them as communist,
- Co-operatives helped Britain to invade India and Jewish settlers to invade Palestine. Also, the co-operatives all over the world founded a central committee as a complementary procedure in the communist society.
- In addition, the major part of co-operation activities are tailored to lending money to the members with high interest rates and ended with the inability to repay the loan.

Finally, co-operation in reality differs from theory, so co-operation and co-operative insurance is Haram and forbidden.

**B- Governmental insurance (social security):**

Social security was founded by philosopher Hegel in 1873 in Germany as a reaction to the injustice from the owners of the factories, to their workers. Social security introduced six different insurances to the workers, mainly against unemployment, work accidents, professional diseases, retirement compensations and salaries.

**Social security is really an insurance system, as:**

- 1- The member pays subscriptions as long as he is on his job until retirement, faces a work accident or gets a work accident or a disease, then he begins to receive a salary or compensations, without equality between the subscriptions and the compensations .
- 2- The salary for the beneficiaries divides according to civil law (the female's share equals the male's) not the Islamic law. This salary will be stopped when the male becomes 18 , and the female gets married.
- 3- Issuing social security law doesn't compensate or represent the social development and progress. So it is useless for social progress and development, social development must be guaranteed by society back and support which means the development of social beliefs and doctrines.

For all of these and many other reasons governmental and social security are still unacceptable and forbidden, although it is ruled and managed by governments.

**Four:** They consider insurance as "Haram" or " Unlawful" and suggest an Islamic way of insurance through two stages :

- Stage one : To raise funds from islamic financial institutions until gathering 50 million Jordan Dinar.  
 Stage two : To constitute an Islamic insurance company for islamic financial institutions. ("Takaful" or reciprocal insurance).

**To comment:**

- 1- Islamic insurance ( according to this situation), is a real insurance , because islamic insurance company works as any other insurance company , and there is no one bossynoun, gilt, agrees with insurance from A to Z , but this may be the first step in insurance to agree with " Hanbali" the second step agrees with "Maliki" , the other steps with other gilts which is unlawful in islam .
- 2- The islamic insurance is a real insurance, because Islam has his own doctrines and disciplines, and insurance is not one of them.

3- Muslims with real faith who like and introduce insurance look like Jews when they said to Musa (Peace Be Upon Him) : Allah Subhanah, says:" And We brought the Children of Israel (with safety) across the sea, and they came upon a people devoted to some of their idols (in worship). They said: " O Musa (Moses)! Make for us an ilâh (a god) as they have âlihah (gods)." He said: "Verily, you are a people who know not ( the Majesty and Greatness of Allah and what is obligatory upon you, i.e. to worship none but Allah Alone, the One and the Only God of all that exist)."

Also Allah Subhanah says :

"Do they seek the judgement of ( the days of ) Ignorance? And who is better in judgment than Allah for people who have firm Faith "(Surah 5,Al-Maidah, verse:50)

**Five:** Those who consider insurance as a concept to be embedded in Islam's faith and systems which can be realized by applying "Zakat" for the following reasons :(Saadeh:2010)

1- Allah " Subhanah " , says, " This day , I have perfected your religion for you and have chosen for you Islam " ( Surah 5. Al- Maaida , verse 3).

2- Also "Allah " "Subhanah " says , " We have neglected nothing in the Book " ( Surah 6. Al- An'am ,38 ).

Till now, we understand that Islam has its own " insurance " system by applying its doctrines and beliefs. Allah " "Subhanah" told us the back ground to this saying " And let those ( executors and guardians ) have the same fear in their minds as they would have for their own , if they had left weak offspring behind . So let them fear Allah and speak right words". (Surah 4,An-Nisa,9) , also Allah Subhanah says : " And as for the wall , it belonged to two orphan boys in the town ; and there was under it a treasure belonging to them ; and their father was a righteous man , and your Lord "Allah" intended that they should attain their age of full strength and take out their treasure as a mercy from your Lord " ( Surah 18 , Al-Kahf ,82).

All of these verses convince us that Islam has its own insurance. Islamic insurance can be done by applying " Zakat". This insurance works as follows:

A-Fundraising or sufficiency of earnings : money collected from Zakat is more than enough and sufficient , e.g: Arabia oil Zakat equals more than 50 billion dollars annually .

B- Zakat can be paid to the meritorious (without paying premiums) to fulfill all his needs and requirements all his life .

C- Meritorious of zakat as : fuqara (poor) and almasakin (the poor ) ... and to free the captives , and for those in debt and for Allah's cause ( i.e. for Mujahidun ) those fighting a holly battle , and for the way farer ( a traveller who is cut off from everything ; a duty imposed by Allah.And Allah is All-knower,all-wise) (Surah 9.At-Taubah:60)

All of these groups are not accepted to be clients in insurance companies , although they are the most needy in the society .

So, if someone finds Zakat, he will really be of no need of the insurance.

## Conclusion:

### Research Findings:

- Muslims states and countries are far from Islam, and closer to secularity, ignoring Islam and it's duties and benefits.
- In modern Muslim societies, people are accepting banks and Riba and insurance companies and social security.
- Muslims must be educated about their religion and religious doctrines and beliefs which reject and refuse banks and insurance.

-You can say that development in Muslim countries stopped or became negative, because economic development needs social development which is impossible with people backing to them.

### **Recommendations**

Scholars, professors and educators must work together to educate Muslims about their Islam.

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