



Part 3: Is Insurance Allowed?

A simple introduction to Islamic Finance

A selection of ideas from the Ph.D thesis submitted to the University of Manchester by Shehzada Dr Abdeali Bhaisaheb Saifuddin bin Syedna Khuzaima Qutbuddin Saheb (RA). His Ph.D was completed in 2003 with the raza and doa mubarak of Syedna Mohammed Burhanuddin RA.

A summary of the previous article...

Our Aimmat Tahereen and Duat Mutlaqeen employed the 'Ina contract to transform a riba transaction (haram) into a trade transaction (halal). Furthermore, previous Duat Mutlaqeen have both endorsed and practiced share trading – in line with Fatimi Tayyibi principles – for the welfare of mumineen

*Their intent (garaz) behind such firmaan has always been to ensure welfare of mumineen and preserve mumineen ability to transact in an ever-complex world of financial instruments. Their firman and hidayat continually show mumineen **how to avoid haram and practice halal***

*This article will show that these principles – **promote welfare of mumineen, preserve mumineen ability to transact in a complex financial world, and always guide mumineen towards halal** – can be applied to insurance policies of various types*

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Section 1 -

What is insurance and how prevalent is it in daily life?

A definition ...

What is insurance?

The main function of insurance is protection from financial and/or material loss in case an unknown event occurs.

An insurance contract replaces the insecurity of the consequences of unknown events with the security provided by the knowledge that financial protection would be available when and if the need arose.

Simply put, insurance provides financial compensation and assurance to those who suffer misfortune, providing a buffer against unexpected catastrophic events. It also helps to mitigate risk, facilitates planning and promotes long term investment.

Section 1 -

What is insurance and how prevalent is it in daily life?

A definition ...

Types of insurance policies commonly available

Multiple types of insurance policies are available today, designed to protect a person or business against a variety of unknown and catastrophic events. The most commonly used and encountered insurance policies in daily life are:

- ***Health or Medical insurance:*** *to protect against unexpected health and medical issues*
- ***Auto or vehicle insurance:*** *to protect ones car, scooter, bike or other vehicle in case of an accident, theft or fire*
- ***Personal property or renters insurance:*** *to protect against theft, fire or damage to one's personal property such as valuables in the flat*
- ***Cargo insurance:*** *to protect cargo in transit from buyer to seller (usually done when container goods are traded across countries)*
- ***Malpractice insurance:*** *to protect a professional (i.e. doctor, lawyer, accountant, etc...) against unexpected claims from their clients in case of malpractice*
- ***Life insurance:*** *to protect one's family and help them to cope after the death of their loved one*

Section 1 -

What is insurance and how prevalent is it in daily life?

A definition ...

How prevalent is insurance in daily life?

Mumineen all over the world interact with insurance companies every day in many ways:

- *Directly buying insurance for themselves, their loved ones, their employees, their business or their goods*
- *Interacting with insurance companies to **receive payments** (i.e. doctors, car repair garages)*
- *Selling and underwriting insurance as a **broker***

Insurance has become an indispensable and pervasive part of modern life. And in many cases it is mandatory: for example, car insurance to register a car or health insurance for your employees (typically in USA, UK, West)

So it is very important for us to understand insurance in a Fatemi Tayyibi context and dispel any misperceptions around it – mainly around:

- *Does insurance mean lack of faith in God?*
- *Is there riba (interest) in insurance?*

Section 2 -

Does insurance mean lack of faith in God?

What are the common misperceptions around insurance?

It is commonly perceived in the Dawoodi Bohra community that most forms of insurance are haram because they involve a lack of faith in God, riba or speculation. It represents a lack of trust in the protection of God, and a disbelief in predestination and the will of God.

*However, **Rasulallah SAW** himself indicated that one should take action to protect ones property and trust in God*

*'Amr ibn Umayyah asked **Rasulallah SAW** "O Messenger of God, shall I tie up my camel mare [to ensure she does not wander away] and have faith in God, or not tie her up and have trust?"*

***Rasulallah SAW**: "Tie her up and trust in God."*

(قال: قيدها و توكل)

Source: Kitab al-Shihab, 4.6

***Rasulallah SAW** specifically instructed 'Amr ibn Umayyah to take action to protect his property and trust in God.*

And we practice this paradigm every day: by employing security or watchmen to safeguard our homes/shops, by locking our cars when we park and by keeping our valuables in a safe. None of these acts implies a lack of faith in God.

Section 3 -

Is there riba in insurance?

Syedna Taher Saifuddin RA and earlier Dai al Mutlaqs (specifically Syedna Tyeb Zainuddin RA the 45th Dai al Mutlaq) disallowed insurance on the basis of riba. This is because in the earlier part of Syedna Taher Saifuddin's RA reign – the first 25 years or so – no laws on insurance existed in India

The first insurance act in India was passed in 1938. The passage of this act resulted in the regulation of the insurance industry with appropriate laws which greatly improved the nature of the overall insurance market.

According to Dawat scholars of the time, it was then that Syedna Taher Saifuddin RA reviewed this subject and allowed insurance.

*The protection and assurance that insurance provides is the biggest factor for its **moral acceptability** by Syedna Taher Saifuddin RA.*

Section 3 -

Is there riba in insurance?

This istinbaat – inferring whether actions are halal or haram based on the prevailing environment – is the sole right of the Imam uz Zamam or Dai al Mutlaq according to our aqeeda.

In fact it is only with the hidayat of our awliyaullah and Duat Mutlaqeen that we mumineen are able to navigate successfully in the this world while upholding shariat

Syedna Taher Saifuddin's RA ruling made it clear that with a new framework of insurance laws, riba was no longer present in an insurance contract and the protection and assurance that insurance provides made it morally acceptable as per the tenets of our faith

And he led by example (see section 6 for examples)!

Section 4 -

How is insurance halal?

Insurance as a contract of service

*Fatemi Tayyibi law sees the insurance contract as a **contract of service**, providing the services of security and protection.*

This is similar to:

- *buying a service contract for a home appliance or office equipment*
- *hiring men to stand guard over persons or property*
- *warranty, when purchasing expensive equipment, such as a car or truck (typically included in the purchase price itself)*

In the example of warranty, the seller promises to rectify any defects, if they should unexpectedly occur for a set period of time, at no cost to the buyer. This is insurance!

The same concept is also applicable to all kinds of insurance for financial protection and security in the event of damage or destruction of property or person from accident, calamity, theft, arson, loss of income, inability to repay debts, illness, or loss of life.

Section 4 - How is insurance halal?

Life insurance and endowment policies are also included here, as they are a form of financial protection and security for the insured for loss of income in later life or for his family if he dies.

So...

*There is no conflict between protecting oneself from financial loss and faith in God, as has been shown by **Rasulallah SAW**. All events – calamitous or fortuitous – always occur by the will of God.*

*With the improvement of insurance laws, riba is no longer an element in insurance contracts as has been shown by **Syedna Taher Saifuddin RA***

Thus...

Insurance is simply a contract of service that provides some relief or respite in case a calamity does occur.

Section 5 -

The need for insurance and arguing against those who say it is not needed

Why is insurance needed?

*The basic purpose of insurance is to **protect people**. In many instances, it is financially prudent to take out insurance to protect against catastrophic events. Our Duat Mutlaqeen have also taken insurance in many cases (see section 6 for examples).*

It is easy today for those who have enough financial protection from the infrastructure that they have usurped, to say that insurance is not allowed.

But what about everyone else? What do they do to protect against financial calamity?

Unexpected financial shocks are significantly more catastrophic for the poor than for the wealthy. Proper insurance protects against these types of adverse shocks.

It is the common person who is most in need of insurance as a protection against various dangers in life. By providing a social safety net, insurance protects society as a whole from catastrophic shocks and their adverse effects.

Section 6 -

Instances of Duat Mutlaqeen endorsing and practicing taking of insurance

Our Duat Mutlaqeen have shown us the way by themselves allowing and purchasing insurance.

1

Syedna Taher Saifuddin RA personally arranged and purchased life insurance for the benefit of his children.

2

During the lifetime of Syedna Mohammed Burhanuddin RA an instruction was sent to Aamils in the United States, asking them to purchase health insurance for themselves. Furthermore, Dawat E Hadiyah purchased health insurance for its own employees. Syedna Mohammed Burhanuddin RA would NEVER have instructed Aamils to purchase health insurance policies if insurance was haram, regardless if it was the law in USA

3

The personal car of Syedna Mohammed Burhanuddin RA was insured. Syedna Mohammed Burhanuddin RA would NEVER have purchased car insurance if it was haram, regardless of the car registration laws of the country

4

Saifee Hospital in Mumbai, built and operated under the guidance of Syedna Mohammed Burhanuddin RA, has formal TPA tie-ups with more than a dozen insurance companies

In conclusion...

Insurance as a service contract does not violate any laws of shariat and is fully compatible with Fatimi Tayyibi philosophy

*When the contractual conditions for insurance contracts were compatible with our shariat and philosophy, **Syedna Taher Saifuddin RA** approved the use of insurance among mumineen*

*And both **Syedna Taher Saifuddin RA** and **Syedna Mohammed Burhanuddin RA** have taken insurance themselves and prescribed other mumineen to do so*

In the future...

We will continue to communicate to Mumineen with clarity. We will provide advice on the use of specific banking and investment products like deposit accounts, loans, bills of exchange / discounted notes, lease finance, equity and equity-linked securities, debt instruments and insurance products. [For more information, or if you have any questions, please write to \[info@fatemidawat.com\]\(mailto:info@fatemidawat.com\).](#)

Over the next few weeks, we will publish specific detailed guidance on:

- Derivatives,
- Framing contracts
- Other modern financial transactions in the light of the principles of Fatemi Tayyibi finance