Twitter Thread by DKF Raihan (■■■■■)



DKF Raihan (■■■■■)
@A_M_Raihan



I just made a short write up on "INSURANCE IN ISLAM" for my WhatsApp group "HOUSE OF FIQH" and also posted it on Facebook.

My brother @TasiuAl saw it and urged me to share it here, i have to obey him ■

INSURANCE IN ISLAM

A SHORT THREAD:

1. Insurance is also known as takaful (in arabic), just that there are some few differences between the conventional insurance and Takaful.

2. How takaful works: All participants (policyholders) agree to guarantee each other and instead of paying premiums, they make contributions to a mutual fund, or pool. The pool of collected contributions creates the Takaful fund.

3. The amount of contribution that each participant makes is based on the type of cover they require, and on their personal circumstances. As in conventional insurance, the policy (Takaful Contract) specifies the nature of the risk and period of cover.

4. The Takaful fund is managed and administered on behalf of the participants by a Takaful Operator who charges an agreed fee to cover costs. These costs include the costs of sales and marketing, underwriting, and claims management.

5. The basic premise I want you all to keep in mind is that Islam and the fuqaha do allow us to mitigate risk by pooling our wealth and paying out to those who lose out from an uncertain loss.

6. Traditionally in Arabia if a tribesman needed to pay blood money (a large sum) to someone, then the entire tribe would chip in a small amount to make up the sum. They did this as a charitable gesture so no one of their number would be overcome by the massive payment.

7. Relating to this, fuqaha allow takaful insurance – which is a form of cooperative insurance along these lines. the basic principle of mitigating loss by pooling wealth is uncontroversially halal.

8. for this majority of scholars permitted the life and health insurances.

Because these Insurance gives certainty – it is important for the day to day lives of people.

9. The Prophet specifically allowed for bai salam (for farmers to sell in advance their crop so that they may raise money now) as it genuinely helped people live their lives in a more stress-free way,

He weighed up the uncertainty caused by the transaction against the benefit that came from it, and clearly he decided that the benefit outweighed the harm.

10. Muslim records “Ibn ‘Abbas (Allah be pleased with them) reported that when Allah’s Prophet (may peace be upon him) came to Medina, they were paying one and two years in advance for fruits, so he said:

Those who pay in advance for anything must do so for a specified weight and for a definite time.”

11. The debate is on how it is done, i.e. the conditions and structures involved.

12. Islam forbids transactions in which there is gharar. The argument against conventional insurance goes that this is a gharar-based transaction where something uncertain is being bought in exchange for a premium – so is not allowed.

You are uncertain if you will ever have an accident after you buy car insurance and most people don’t and lose all their money for no return each year.

13. Which brings us to the prohibition of property and auto insurances.

14. Imam Muslim records in his Sahih: “On the authority of Abu Hurairah who said that the Messenger of Allah (peace and blessings of Allah be upon him) forbade ‘sales of a speculative nature’ (bai al-gharar).

Tirmidhi records the Prophet said “Do not sell that which you do not have.”

Al-Bukhari and Muslim record “On the authority of ibn Umar who said that ‘the Messenger of Allah (peace and blessings of Allah be upon him) prohibited the sale of fruits until their ripeness and freedom from disease were apparent. He prohibited both the seller and the buyer.’

15.CONCLUSIVELY: Islamic scholar position is that unless a financial product or service can be certified as Shari’ah compliant by a competent Shari’ah supervisory board, that product's authenticity is dubious.

At that point, it will be the responsibility of the individual investor or consumer to determine on his or her own that the product complies with the principles and precepts of the shariah, if it goes with products permitted by shariah,

then the life and health insurances are permissable, as for auto and property insurances, no matter the business involved they are not permissable, because you may likely lose your money even if the business involved are permissable.

Because if you don't involve in accident or lose your property, you won't get a return, which is uncertain.

Wallahu A'alam.

Abdullahi Muaz Raihan
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