



MASJID
OF
LIFE

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POSITION PAPER

INSURANCE

Risk & Islamic Law

An Islamic Analysis of Gharar, Maysir & Reba



IMAM YUSEF ISMAIL

POSITION PAPER 02

RESEARCH. PRINCIPLE. JUSTICE.

THE MASJID OF LIFE

The Earth is a Masjid.

The Masjid of Life is a Qur'an-centered institution dedicated to cultivating individuals, strengthening families, building communities, and establishing institutions rooted in the guidance of Allah.

Its work brings scholarship into the practical realities of contemporary life—uniting education, public thought, entrepreneurship, community development, and institution-building. Revelation should not remain confined to theory; it should shape human character, social relations, economic life, and the institutions through which people live.

Our mission is to help cultivate communities where innocent people can thrive according to the guidance of Allah. Our aspiration is to become the world's leading Qur'an-centered think tank: an institution recognized for principled research, moral clarity, intellectual independence, and solutions capable of serving humanity.

These position papers are part of that undertaking. They address consequential questions with seriousness, clarity, and an unwavering commitment to justice before God.

CULTIVATING A QUR'AN-CENTERED CIVILIZATION

ABOUT IMAM YUSEF ISMAIL



Imam Yusef Ismail is the founder of the Masjid of Life, a Qur'an-centered institution dedicated to cultivating individuals, strengthening families, building communities, and establishing institutions rooted in the guidance of Allah.

His work bridges scholarship and practice, bringing together education, entrepreneurship, community development, and institutional leadership. He believes revelation should not remain confined to theory, but should shape every dimension of human life.

Alongside his educational work, he has built and continues to develop initiatives in real estate, foreclosure resolution, business consulting, and community-centered economic development. These experiences reinforce his conviction that meaningful change requires both sound ideas and strong institutions.

His mission is to help cultivate communities where innocent people can thrive according to the guidance of Allah.

SERVICE TO GOD. CLARITY FOR PEOPLE. INSTITUTIONS FOR LIFE.

READ A FREE SAMPLE

INSURANCE

Risk and Islamic Law

About This Position Paper

Is insurance inherently prohibited, or must it be judged according to its actual purpose, structure, and surrounding legal system? This paper examines insurance through the Qur'anic principles governing gambling, excessive uncertainty, reba, compensation, cooperation, and protection from catastrophic loss. It considers collective liability in Islamic law, the realities of Western tort and taxation systems, the development of takaful, and the distinction between legitimate risk protection and prohibited financial practices. The result is a practical Islamic analysis centered on justice, responsibility, and the preservation of families and communities.

Questions Explored

- Is pooling resources against catastrophic loss inherently incompatible with Islamic law?
- How do gharar, maysir, and reba apply to modern insurance structures?
- Why do tort liability, taxation, and family wealth change the analysis?
- What can al-aqilah, diyah, and takaful teach us about shared responsibility?

This preview presents the central controversy, governing principles, and the legal necessity of risk protection in the Western context.

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah, the Most Gracious, the Most Merciful

Insurance: Risk & Islamic Law

An Islamic Analysis of Gharar, Maysir & Reba

Some masjids and Islamic scholars teach that insurance, particularly **commercial insurance**, is haram, grounding their position in The Qur'an and the Final Prophet's binding instruction and clarifying guidance that prohibit gambling, uncertainty, and usury.

Allah ﷻ commands in Surah 5 [Al-Ma'idah, المائدة], Ayat 90:

يَا أَيُّهَا الَّذِينَ آمَنُوا إِنَّمَا الْخَمْرُ وَالْمَيْسِرُ وَالْأَنْصَابُ وَالْأَزْلَامُ رَجْسٌ مِنْ عَمَلِ الشَّيْطَانِ فَاجْتَنِبُوهُ لَعَلَّكُمْ تُفْلِحُونَ

O you who believe, intoxicants and gambling (maysir), dedication of stones and divination by arrows is the harmful work of Satan. Avoid such harm that you may flourish.

Abu Hurairah (رضي الله عنه) narrated that the Messenger of Allah ﷺ said,

عَنْ أَبِي هُرَيْرَةَ، قَالَ نَهَى رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ عَنْ بَيْعِ الْحَصَاةِ وَعَنْ بَيْعِ الْغَرَرِ

“The Messenger of Allah ﷺ forbade transactions determined by throwing stones and transactions involving gharar (excessive uncertainty).”

Sahih Muslim, *Kitab al-Buyū* ‘ (The Book of Transactions), Hadith no. 1513

From these passages, many scholars argue that conventional insurance **resembles المَيْسِرُ (al-maysir, gambling)**, involves **الْغَرَرُ (al-ghararu, excessive uncertainty)** because you may pay but never claim, you may claim for more than you paid, and neither party knows the outcome or timing. It also becomes tainted when companies invest policyholder premiums in **الرِّبَا (ar-reba, usury/interest)** or other impermissible instruments. Their concerns are not without merit, and indeed, regulators and researchers have documented unethical practices within the industry. For example, Robert W. Cooper's study, “Spitzer's Allegations of Unethical/Illegal Behavior: Has the Insurance Industry's Ethical Environment Really Changed Dramatically?” highlights systemic abuses that mirror these very critiques. I've attached a link below. ^[1]

- Robert W. Cooper, “Spitzer's Allegations of Unethical/Illegal Behavior: Has the Insurance Industry's Ethical Environment Really Changed Dramatically?” Research in Ethical Issues in Organizations 7 (2007): 27–62. [https://doi.org/10.1016/S1529-2096\(06\)07002-7](https://doi.org/10.1016/S1529-2096(06)07002-7)

At the same time, it is essential to clarify that Islamic scholars do not object to **risk-sharing itself**. On the contrary, cooperation in protecting one another from harm is part of our **natural disposition (fiṭrah/فطرة)** and is affirmed in the Qur'an when Allah ﷻ commands in Surah 5 [Al-Ma'idah, المائدة], Ayat 2:

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَحِلُّوا شَعَائِرَ اللَّهِ وَلَا الشُّهُرَ الْحَرَامَ وَلَا الْهَدْيَ وَلَا الْقَلَائِدَ وَلَا آمِينَ الْبَيْتِ الْحَرَامَ يَتَتَعُونَ فَضْلًا مِنْ رَبِّهِمْ وَرِضْوَانًا وَإِذَا حَلَلْتُمْ فَاصْطَادُوا ۚ وَلَا يَجْرِمَنَّكُمْ شَنَا نُ قَوْمٍ أَنْ صَدُّوكُمْ عَنِ الْمَسْجِدِ الْحَرَامِ أَنْ تَعْتَدُوا ۚ وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَى ۚ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ ۚ وَاتَّقُوا اللَّهَ ۚ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ ۚ

O you who have believed, do not violate the rites of Allah or [the sanctity of] the sacred month or [neglect the marking of] the sacrificial animals and garlanding [them] or [violate the safety of] those coming to the Sacred House seeking bounty from their Lord and [His] approval. But when you come out of iḥrām, then you may hunt. And do not let the hatred of a people for having obstructed you from al-Masjid al-haram lead you to transgress. And cooperate in righteousness and piety, but do not cooperate in sin and aggression. And fear Allah ; indeed, Allah is severe in penalty.

The real debate, then, is not whether pooling resources to safeguard against loss is permissible, which clearly aligns with Islamic ethics, but whether the way **commercial insurance** is structured avoids the prohibited elements of **reba, gharar, and maysir**.

What Is Insurance, and Why Does It Matter?

The underlying practices associated with insurance—distributing exposure, pooling resources, and protecting against loss—have existed in various forms for thousands of years. Babylonian bottomry arrangements associated with the era of Hammurabi, Chinese merchants distributing cargo across vessels, and Roman burial associations all demonstrate that societies long developed mechanisms to spread risk and shield people from devastating loss. ^[2]

Modern insurance companies collect premiums (regular payments from policyholders), which are used to pay claims and invested to support future obligations. In return, policyholders hedge risk by paying relatively small amounts on a regular schedule in exchange for protection against catastrophic loss.

The Legal Necessity of Insurance in the West

If one spends even a short time studying **Tort Law (Injury Law) in the United States**, the necessity of insurance becomes undeniable. The sheer scale of liability exposure makes insurance feel less like an option and more like a survival tool. Because tort law is designed to “make the injured whole,” damages often extend far beyond medical bills to include lost wages, pain and suffering, and even punitive awards. Consequently, a single accident or injury can expose an individual or business to millions of dollars in liability, whether it is a driver causing a serious crash, a homeowner facing a slip-and-fall claim, a physician accused of malpractice, or a company sued for a defective product.

In contrast to the United States, where over **68 million new cases are filed annually in state and federal courts, more than three-quarters of which are civil matters such as contracts, torts, and property disputes** (National Center for State Courts, 2023), Muslim-majority countries experience far fewer lawsuits per capita. Dispute resolution there has historically relied more on conciliation, mediation, and religiously-grounded succession rules than on mass litigation, meaning the same pervasive exposure to liability that drives the American insurance culture is largely absent. ^[3]

And beyond liability itself, the same logic underscores the importance of life insurance: just as liability coverage shields against financial ruin from lawsuits, life insurance protects families from the economic devastation that can follow the loss of a breadwinner. Without insurance, such claims can bankrupt families and enterprises alike. Under U.S. liability law, insurance is not a wager but the only rational safeguard against the catastrophic financial consequences that flow from ordinary human error. This is why states mandate coverage: not as a gamble, but as a civic necessity.

In much of the Western world, the principle of shared risk has been codified into law: citizens are required to participate in insurance systems, whether through mandatory auto coverage, employer-based health insurance, or social security contributions. These obligations are layered atop a heavy tax structure, income taxes reaching 30–45%, capital gains taxes of 15–30%, and annual property taxes averaging 1–2% in the United States. On top of this, **post-mortem levies** further erode family wealth: the U.S. federal estate tax reaches **40%**; in **Europe, France** imposes up to **45%** and **Germany** up to **30%**; the **United Kingdom** applies **40%** above a threshold; and in **Asia, South Korea and Japan** levy **50% and 55%** respectively, the highest in the world. Such burdens can consume family resources within a single generation, which is why life insurance is often employed as a strategic tool to preserve assets and mitigate the destructive impact of taxation after death.

By contrast, in many **Muslim societies**, the devastation caused by such taxes is less familiar. **Annual property taxes are absent or minimal, inheritance taxes are abolished** or symbolic, and **personal income taxes are low or non-existent in Gulf states**. Instead, wealth transfer is governed by Qur’anic succession rules, and fiscal obligations often take the form of consumption taxes (VAT) and zakat, the religious levy of **2.5% on accumulated wealth**. Without the burden of recurring property and estate taxes, family resources are less vulnerable to erosion, though the Western experience demonstrates how quickly wealth can be consumed without protective mechanisms in place.

THE ARGUMENT CONTINUES

Continue Reading

The complete position paper examines:

- Qur'anic foundations for restitution, compensation, and collective responsibility
- The historical development of shared liability in Islamic and Western societies
- Takaful, scholarly objections, and the true financial red lines
- The Masjid of Life's concluding position on insurance

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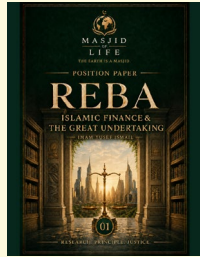
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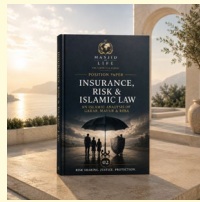
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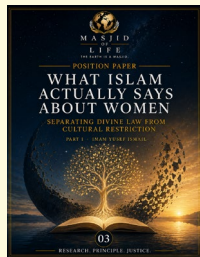
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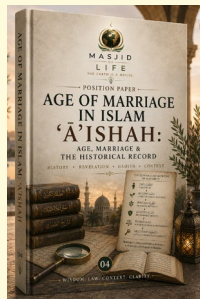
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Part I



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