

Operating without Takaful in the US



THE US

By Aliredha Walji

Previously, we discussed the concept of Takaful as being a viable alternative to conventional insurance. This is because in Takaful the policyholders share in the profit and loss of the Takaful business, thereby also lessening the aspects of excessive uncertainty and gambling. However, Takaful options in the US are extremely rare.

Given this, what are those who wish to utilize Islamic financing to do in the current situation? Because of the uncertainty in this topic, there are differing views among scholars.

According to some, any type of insurance may be unallowable unless it is necessary or mandated by the state (ex auto insurance). Others, like Imam Joe Bradford, separate between the different types of insurance policies that help to cover us for insurable interests.

Commercial insurance companies are for-profit companies and can easily be identified as those which issue stock to the general public. This type of insurance would be impermissible because of many issues, including the core issue of misappropriation of wealth (profiting from something you are not liable for).

In other words, the main aim of the company is not to cover the insured, but rather to provide profits to shareholders. This is in addition to other issues, such as the uncertainty of whether you as the insured will actually be covered for your claims or not. Commercial insurance (outside of necessity) is therefore “definitely forbidden” according to Dr Hatem AlHaj, a senior member of the Fatwa committee of the Assembly of Muslim Jurists of America, among others.

Mutual insurance companies, on the other hand, would refer to a situation where individuals get together and pool their money for insurance purposes. Excess funds can be invested or distributed back to policyholders.

Either way, the money is going back to the same people who came together

for the insurance, rather than to some third-party shareholders. This is where the idea of mutuality arises, and this type — according to Imam Joe Bradford — would be permissible to use assuming they are insuring a legitimate risk.

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There is also the separate issue of companies investing in non-Halal investments. Since we do not really have Shariah compliant insurance companies in the US, the best choice would be to look for companies that have other ethical guidelines on par with Shariah guidelines (ex corporate social responsibility charters).

Contracts with such companies may be allowed by some scholars due to the concept of coercion (ie there are no other choices, as insurance contracts are contracts of adhesion, meaning they have to be accepted as-is by the policyholder).

In the end, the current options in the US for Halal insurance are very limited. As previously discussed, Takaful would be the best, if it can be developed. For now, however, individuals have the option of researching various scholars’ positions and deciding for themselves which route to take. ☺

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