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Fatwa no. 18332:

Q: What are the lawful types of insurance? Does the company's work described below come under the category of the permissible insurance? The company claims that they work under the cooperative insurance permitted by the Council of Senior Scholars. It runs as follows: They provide all types of insurance including marine insurance, fire insurance, theft insurance, medical insurance, air insurance, engineering insurance, accident insurance, etc. The insured person has to pay an annual premium estimated according to a percentage of the value of things under coverage. This percentage varies according to the chance of danger or loss. By the end of the year, the profits are calculated and a portion of them is distributed to the subscribers. Moreover, the company adopts the concept of re-insurance. Accordingly, other companies are allowed to participate in insurance contracts owned by the original company in return for having a share of the premiums and bearing a part of the losses incurred. The contracts between these companies and the original company are commercial insurance contracts.

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Indeed, the company greatly relies on re-insurance to the extent that more than 85% of its work is based on it. If it wasn't for this commercial insurance, the company would not have continued.

A: All types of commercial insurance are Haram (prohibited), as they entail Riba, Gharar (undue uncertainty), and devouring people's properties wrongfully. This kind of insurance does not come under the category of the cooperative insurance permitted by the Council of Senior Scholars. There should be nothing to go back to the subscribers because of the insurance and they should subscribe with the intention of helping the needy not making investments. As to the case of the commercial insurance, the subscribers enter into the agreement with the intention of investing money and taking part in the interest-oriented dealings done by the company. The two kinds of insurance are mixed to confuse people and lie to the scholars. You should be aware of these tricky operations. May Allah grant us success! May peace and blessings of Allah be upon our Prophet Muhammad, his family and Companions!

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