# 243216 - What is the ruling on social insurance that is sponsored by the state?

## the question

It is well-known that some countries force companies to insure their workers, whereby the company pays a sum of money for each worker, then this money is kept in a department called the social insurance fund, and this fund belongs to the state. Similarly, every month they take part of the worker’s salary and put it in this fund so that the worker will be covered with regard to health insurance, and so that he may also be given a pension, provided that he works for twenty-five or thirty years. Is this kind of insurance halaal or haraam? If I have the choice as to whether to have insurance or not, can I ask the company to raise my salary, and in return I will not be insured? Are there any books or studies that have been written on this topic?

## Summary of answer

Conclusion:
Social insurance
that is provided by the state is a kind of permissible insurance, and it is
more akin to cooperative insurance. There is nothing wrong with joining it
and benefitting from it, whether it is compulsory or voluntary.
For more
information on this topic, please see the following:
Al-Ahkaam at-Taba‘iyyah
li ‘Uqood at-Ta’meen
by Dr Ahmad ibn Hamad al-Wanees
At-Ta’meen at-Takaafuli
al-Islami
by Dr ‘Ali Muhyi ad-Deen al-Qurrah Daaghi

Ma‘aalim at-Ta’meen

al-Islami

by Dr Saalih al-‘Ali and Dr Sameeh al-Hasan.

And Allah knows

best.

**Detailed answer**

Praise be to Allah.

Firstly:

Social insurance is insurance that is provided and supervised by the state, without the aim of making a profit. It is financed by the contributor, the state and the company that employs the contributor, or by some of these three, and the contributor receives compensation when the necessary conditions are fulfilled.

It takes many forms, including the following:

· That which is called social security, which is where the employee receives compensation in the event of falling sick, becoming unable to work, acquiring a disability, or reaching old age, in return for the deduction of part of his monthly salary.

· Pension schemes, according to which the state gives the employee a stipend after he reaches a certain age, or after spending a certain length of time in the job, in return for the deduction of part of his monthly salary.

· Health insurance, in which the state is in charge of providing necessary health care to sick employees, in return for a monthly payment that he makes.

· Unemployment insurance, which is offered by some countries, through which they pay an appropriate stipend to recipients, until they can find suitable work; or insurance against early death, for the affected families; or insurance against workplace accidents.

Social insurance is based on the idea of social solidarity, so as to insure individuals who rely for their livelihood on the work they do, against some risks to which they may be exposed, which would make them unable to work, such as sickness, old age, unemployment and disability. In most cases it is compulsory, and the company and the state also contribute, alongside the worker. The state always bears the greater part of the cost of instalments to the insurer.

This type of insurance is regarded as part of the public policy of the state, as it is the state that plans the programs and defines their limits and framework, in order to guarantee the interests of various sectors of society and raise their standard of living. The state itself may be the insurer. The forms of this type of insurance may include pension schemes, social security, health insurance and other kinds of public insurance.

End quote from Abhaath Hay'at Kibaar al-'Ulama' (4/45)

Secondly:

There is nothing wrong with joining and benefitting from kinds of insurance of which the state is in charge and of which it is the sponsor, the reason being:

1.

The aim of social insurance is not to make a profit from the instalments paid by participants; rather the returns go to the employees who are covered by this system.

This is in contrast to commercial insurance, of which the primary aim is to make a profit, and any surplus goes to the owners of the insuring company.

In a discussion of the Council of Senior Scholars concerning insurance, it says:

There is a difference between social and private insurance (what is meant by private insurance is that in which the people who are in charge of the insurance are private individuals, not the state).

In the case of social insurance, the primary aim thereof is solidarity, not business. Even if it involves some inappropriate matters that cast doubt on its permissibility, they can be got rid of.

But in the case of private insurance, the primary aim is business in a manner that is not in accordance with Islamic teaching, and it is not free of riba, ambiguity and gambling, because it is based on that.

End quote from Abhaath Hay'at Kibaar al-'Ulama' (4/305)

Dr 'Ali Ahmad as-Saaloos said:

Social insurance is not insurance that is only for one individual who fears a certain risk, such that it should be included under the heading of commercial insurance. Rather it is public insurance that is not aimed at making a profit; it is aimed at helping a group of individuals, whose number may be so great that it reaches millions, such as that which is done by countries to insure workers and other employees, such as what is known as pension schemes, in which a certain percentage is deducted from wages and salaries, then when a person reaches retirement age, he is given a monthly stipend, or he receives a lump sum to help him for the rest of his life. This also includes what is known as social insurance and health insurance.

End quote from Mawsoo'ah al-Qadaaya al-Fiqhiyyah al-Mu'aasirah wa'l-Iqtisaad al-Islami (p. 372)

2.

Social insurance is regarded as a kind of care that the state is required to provide for its citizens in the event of disability, old age, sickness and the like, and to ensure care for the dependents of the employee after his death. The government is responsible for insuring the basic needs of its citizens.

Dr. Wahbah az-Zulayhi (may Allah have mercy on him) said: Social insurance paid by the state, pension fund, workers' insurance fund or department for insuring labourers, workers and civil servants are all, in my estimation, permissible, because the state is obliged to take care of its citizens in the event of disability, old age, sickness and other problems that prevent one from being able to work and earn a living.

End quote from al-Fiqh al-Islami wa Adillatuhu (5/116)

Hence what the state pays surplus to the contributions deducted from the worker's salary – in some cases – is not riba and does not come under the heading of ambiguity; rather it is obligatory upon the state, and the employee only contributed alongside the government to some of the expenses in the form of monthly or annual instalments.

Shaykh Ibn 'Uthaymeen said: There is nothing dubious about pensions, because they are from the bayt al-maal (public treasury), and are not a deal or transaction between one person and another, such that we might say that they involve the problem of riba. Rather the pension is the rightful due of this retired person from the public treasury, and there is nothing dubious about it.

End quote from al-Liqa' ash-Shahri (58/28).

Dr Wahbah az-Zuhayli (may Allah have mercy on him) said: The tax that the state deducts from one's monthly salary, or that is paid monthly by companies to the department of social insurance, or the money that the worker or employee pays voluntarily, within a certain percentage every year, so as to gain some regular compensation when he reaches retirement, is not to be regarded as riba, even if the employee or worker takes more than he paid in, because what he pays in is in fact regarded as a donation or a gift initiated by the giver, or as solidarity on the part of the contributors to the pension fund or to social insurance department which belongs to the state.

End quote from al-Fiqh al-Islami wa Adillatuhu (5/116)

3.

Social insurance is more akin to cooperative insurance, which the scholars regard as permissible, because the relationship between the employee and the government is based on cooperation and solidarity, not on transactions and profit-seeking. The aim behind social insurance is to achieve the general interests of society, unlike prohibited commercial insurance, of which the aim is to serve the private interests of the insurer.

Dr Yoosuf ash-Shubayli said: This kind of insurance is in fact a kind of co-operative insurance, because the aim behind it is not to seek profits, as the state is taking care of it, or public

institutions are taking care of it, with the aim of supporting employees who reach a certain age at which they are no longer able to work. Therefore it is insurance based on solidarity and cooperation, and it is not commercial insurance.

End quote from al-As-hum wa'l-Mu'aamalaat al-Maaliyyah al-Mu'aasirah (tape no. 6/12)

4.

This view is the one that has been adopted by most contemporary scholars, and no one disagreed with that except very few. In fact Shaykh Muhammad as-Siddeeq ad-Dareer said: I do not know of any difference of opinion among contemporary fuqaha' concerning the permissibility of health insurance in the sense that I have explained. Similarly, I do not know of any difference of opinion concerning the permissibility of Social Security and social insurance which forms the basis of health insurance. Statements have been issued by Islamic fiqh councils stating that it is permissible and calling for it to be made more inclusive.

End quote from Majallat Majma' al-Fiqh al-Islami (13/1378).

It says in a statement of Majma' al-Buhooth al-Islamiyyah, issued during its second conference held in Cairo in Muharram 1385 AH/May 1965 CE:

Government pension programs and similar social security programs that are applied in some countries, and social insurance programs that are applied in other countries, all come under the heading of permissible actions.

See: Fiqh an-Nawaazil by al-Jeezaani (3/266)

In a statement of the Islamic Fiqh Council – which is a verdict issued by the Council of Senior Scholars – it also says:

What is given in the form of pensions is a right to which the ruler is committed, because he is responsible for his subjects, and it is given in return for what the employee did of service to the nation. The ruler set up a system whereby he paid attention to the interests of the closest people

to the employee, so as to meet their needs. So the pension system does not come under the heading of financial transactions between the state and its employees. Based on that, there is no resemblance between it and regular insurance, which is a kind of commercial financial transaction in which the aim of the insuring company is exploitation of the insured and earning money in ways that are unacceptable according to Islamic teaching. That is because what is given in the case of pensions is regarded as a right and a commitment made by governments who are responsible for their subjects, and it is given to those who served the nation, in return for their service and in solidarity with them, and as a reward for their cooperation with the state in terms of both physical and intellectual efforts, to which they devoted much of their time for the advancement of the nation.

End quote from Qaraaraat al-Majma‘ al-Fiqhi al-Islami li’r-Raabitah (p. 39); Abhaath Hay’at Kibaar al-‘Ulama’ (4/313)