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## I SUMMARY

### Social Security

Eligibility	Essentially, all employed persons.
Retirement Age	65M/60F
Contributions	The salary ceiling for contributions is ARS 9.351
Retirement Benefits	Minimum, government guaranteed pension (non-earnings-related basic universal plans, past compensation and future service benefit).
Disability Benefits	Disability Pension: Total disability only. 70% of the last 5 years' average. Minimum 66% disabled.
Death Benefits	Payable to surviving spouse. 70% of projected or actual old age pension.
Medical Benefits	Employee may select between two systems and, in addition, may change plans once per year. There are a wide range of benefits to choose from. Where the employer's contribution does not cover the cost for the plan selected, the balance is to be paid by the employee.

**Private Benefit Plans**

Eligibility	Normally, all employees under age 65.
Retirement Age	65M/60F
Contributions	Depending on the policy terms, it can be fully funded by the employer or split between employer (institution) and employee (member).
Retirement Benefits	Result of voluntary contributions, in addition to a minimum guaranteed by the government.
Disability Benefits	Not customary
Death Benefits	Employers are required by law to provide group life cover of ARS 9.000 per employee.
Medical Benefits	A wide range of benefits (in- and out-patient, dental, surgery, maternity etc.) are covered.

**Taxation**

Contributions	Contributions to Social Security: For both employer and employee, deductible up to a limit.
Benefits	Private benefit plans: Benefits are taxed as income.

## II INTRODUCTION

### Country Statistics

Population/ growth rate	40.6 million (2009 est.)/ 0.97 (2009est.)%	
Age structure		
0 - 14 years	25.6%	
15 - 64 years	64.20%	
65 years and over	10.2% (2009 est.)	
GDP purchasing power parity/ Real growth rate	USD 585.167 billion (2009 est.) 1.02% (2009)	
Agriculture	14%	
Industry	21%	
Services	65% (2009 est.)	
Unemployment rate	9.1% (2009 est.)	
Inflation rate	8.1% (2009 est.)	
Annual Gross Salary	in ARS	
Labourer	General: 31,899	Skilled: 39,474
Professionals	Junior: 64,408	Senior: 105,090
Management	Lower: 165,181	Upper: 284,674
Legal minimum wage	ARS 1.400 per month	
Salary's increase in 2009	18.6%	
Exchange rate on February 28, 2010	1 ARS = 0.2592 USD	
Currency: Argentine Peso	1 ARS = 0.1909 EUR	

## **Legislation and Insurance Market Update in Brief**

### *Insurance Market*

Insurance premiums in 2009 grew by 6.1%, compared with 2008, obtaining a volume of ARS 27,649 million.

### *Pension Plans and Life Insurance Business*

Pension plans and life insurance premiums represent 23% of total insurance industry premiums with a total volume of ARS 6,359 million.

### *Increased Workmen's Compensation*

The ceiling for insurance payments to employees for any labour accident has been eliminated. Previously, this ceiling was set at ARS 180,000 (USD 7,230) multiplied by a factor of the severity of the accident, which was determined by physicians. For more details see section Work Injury Benefits under chapter III Social Security.

### III SOCIAL SECURITY

#### Background Information

In autumn 2008, the proposal to merge Argentina's two existing pension systems by nationalizing private pension funds was passed by the Argentine parliament. The law came into effect on December 15, 2008.

The new system, known as the Integrated Provisional System of Argentina (*SIPA – Sistema Integrado Previsional Argentino*) has the following main characteristics:

- The public “pay-as-you-go” (PAYG) system is the only national pension plan available to the public and operates under governmental control.
- Affiliates and funds in the private capitalization system (AFJPs) (approximately USD 30 billion) are transferred to the National Administrator of Social Security (ANSES).
- The existing funds from voluntary contributions are kept in so-called “modified AFJPs”. New voluntary contributions remain within the jurisdiction of AFJPs, but members have the option of transferring their contributions to the new PAYG system.
- Mandatory social security contributions are channelled to the ANSES, while only voluntary contributions are received by private pension funds, in the “modified AFJPs”.
- Pension benefits for retired members of the former private capitalization funds (AFJPs) are paid by the state. These benefits are calculated by taking into account the highest pension payment received between January 1, 2008 and September 30, 2008. Current benefits are equal or exceed previous ones. Retirees receiving a pension benefit from a retirement insurance company remain unaffected (that is, the terms of the contract remain the same, the company paying the annuity does not change and funds are not transferred).
- The benefits of the public Pay-As-You-Go system are equivalent to  $1.5\% \times$  years of service in the private sector  $\times$  average salary at retirement. It is important to mention that the total payment, the number of years of service to consider and the salary for contribution purposes in this formula is capped at certain levels.
- Existing tax advantages for voluntary contributions and for contributions to retirement insurance policies are eliminated.
- A Congressional committee has been created to supervise the transferred funds relating to this law.

#### Eligibility

All employees or self-employed workers over 18 are required to enrol under the state system.

**Contributions**

Under the PAYG pension system, the salary ceiling for contributions is ARS 9,351. The maximum obligatory contribution by employers is ARS 1,496.16. Employees pay a maximum obligatory contribution of ARS 1,028.61.

*Pay-as-you-go Pension System*

Expressed as a percentage of taxable income:

	Public System ANSeS
Employee	11%
Employer	16%

**Retirement Benefits**

*Retirement Age*

Normal retirement: 65M/60F

*Qualifying Conditions*

See below.

*Benefits*

Four types of benefits are provided by the state:

1. Universal Old-age Pensions (PBU)

The Universal Old-age Pensions (*PBU - Prestación Básica Universal*) is a defined benefit scheme and provides a basic pension for all insured persons who reach retirement age (M- 65 years / F- 60 years) and who have contributed for at least 30 years to either the old system, the new system or a combination of the two.

PBU is financed by a 16% contribution rate on the worker's salary. It is exclusively levied on employers. To cover negative differences between contributions to PBU and expenditures, the states transfers earmarked taxes and general revenues to the social security budget. The replacement rate offered by PBU is supposed to be around 30%.

The maximum monthly benefit is 2.5 MOPRES (1 MOPRE = ARS 80) plus 1% for every year of contribution in excess of 30 years (to a maximum of 15%).

## 2. Compensatory Payment (PC - Prestación Compensatoria)

The state provides for a Compensatory Payment (PC) and thus covers people who contributed to the old system. The compensatory pension amounts to 1.5 per cent of the indexed wage averaged over the last ten years of employment before retirement.

Eligible for a compensatory payment are those who are entitled to a basic pension (PBU). Compensatory Payments are financed out of current contributions and budgetary transfers.

## 3. Old System Pensions (OSP)

The government provides Old System Pensions (OSP) to existing beneficiaries.

## 4. Advanced Age Pensions (PEA)

Additionally so-called Advanced Age Pensions (*PEA – Prestación por edad avanzada*) are granted to people over 70 years.

## **Disability Benefits**

### *Qualifying Conditions*

Under the state system permanent disability benefits are payable for a minimum disability of 66%.

### *Benefits*

- Permanent Disability: The benefit is equal to 70% of average salary if contributions have been made regularly; otherwise the benefit is 50%. After 3 years the disability status is re-examined to determine future benefit entitlement.
- Temporary Disability: Temporary disability benefit is not available under the state system.

## **Death Benefits**

### *Qualifying Conditions*

The benefit is payable to the spouse.

### *Benefits*

The survivors' benefit amounts to 70% of the projected or actual old age pension. The financing of survivors' benefits is the same as for disability pensions.

## **Sickness Benefits**

None under the public system.

### Medical/Health Benefits

Any employee or self-employed worker may choose among any union health care provider. Union health care providers must accept all workers (with waiver of medical evidence) and must adjust their medical plans to a standard plan called the Obligatory Medical Plan (P.M.O.).

All workers who have worked at least one year can change their medical plans for a plan other than their union plans (*obras sociales*) or for plans administered by service companies (*sistema prepago*).

### Work Injury Benefits

Decree 1694 (November 16, 2009) establishes several modifications to Law 24.557.

Principal modifications are:

- A lump sum benefit in addition to monthly payments:
  - ARS 80,000, in the event of disability ranging between 50% and 66%
  - ARS 100,000, in the event of disability over 66%
  - ARS 120,000, in the event of death
- No limitation for maximum indemnity

The Work Injury Act requires all employers to insure employees against accidental death and disability incurred at the workplace. While previous legislation referred only to injuries at work and employer's liability, the new law also covers loss prevention. The main features are described below.

#### *Mandatory Insurance*

Insurance is compulsory but employers may self-insure if they can demonstrate sufficient financial strength to pay monetary benefits and the ability to offer required medical and other services (medical care and medication, prostheses and orthopaedics, rehabilitation, occupational retraining and funeral services).

To support the legislation, a type of specialised work injury compensation insurer, known as ART (*Aseguradora de Riesgos de Trabajo*), has been created. Insurance companies, banks and private hospitals are authorised to set up ARTs. ARTs and insurers may choose which industrial sectors to cover, but they are not permitted to reject any request for coverage from employers in those sectors. All insurance-related activities are supervised by the "Work Risk Superintendence" (SRT).

*Benefits*

The law provides for medical and/or retraining expenses for injured employees. Maximum indemnity is ARS 55,000. Employers must provide a lump sum or monthly payments, depending on the degree of disability. Only listed occupational diseases and disabilities are covered and the list of diseases is regulated by the government. There is no minimum qualifying period. Accidents that occur while commuting to and from work are covered.

Monetary Benefits	
Disability ≤ 50%	Single payment Formula: 53 x basic income x disability % x (65/age) Minimum amount: Disability % x ARS 180,000. No ceiling.
Disability > 50% < 66%	Whole life annuity Minimum amount: Disability % x ARS 180,000 (no ceiling). Additional payment of ARS 80,000.
Disability ≥ 66%	Whole life annuity (capital to finance WLA) Formula: 53 x basic income x (65/age) Minimum amount: Disability % x ARS 180,000 (no ceiling). Additional payment of ARS 100,000.
Death	Whole life annuity (capital to finance WLA) Formula: 53 x basic income x (65/age) – no ceiling. Additional payment of ARS 120,000.
Non-Monetary Benefits	
<ul style="list-style-type: none"> <li>• Medical and care assistance</li> <li>• Protheses and orthopaedics</li> <li>• Rehabilitation</li> <li>• Occupational retraining</li> <li>• Funeral services</li> </ul>	

*Increased Safety Measures*

Under the legislation, ARTs are empowered to prescribe any loss prevention plans they believe necessary. Companies are then required to execute these programmes within 24 months. In return, employers are relieved of civil liability unless there is proof of a wrongful, intentional act. As a preventative measure, Decree 1278 emphasises the need to implement more effective and operational mechanisms with the goal of regulating procedures in every part of the system, such as creating appropriate conditions to control claims deflection and strengthening the means of supervision to ensure compliance with preventative, hygiene and safety procedures in the workplace.

*Premiums*

Rates must be approved by the National Superintendence of ARTs. Premium is on average 2.7% of gross wages. Premiums are paid entirely by employers and are established according to the following principles:

Number of Employees	Rates
Up to 100	Determined by ART
101 to 500	Negotiable discount up to 15%
500+	Freely Negotiable

**Unemployment Benefits**

*Qualifying Conditions*

In order to qualify for employment benefits the insured must have had six months of contributions in the three years before unemployment; 90 days in the 12 months before unemployment for temporary workers. Upon dismissal and after at least 3 years with the company, depending on the agreement with the employer, the employee will collect compensation.

*Benefits*

In the state unemployment insurance system the benefit depends on months of contributions to the social security system (National Fund of Employment).

Months of contribution	Monthly payment instalments
6 - 11	2
12 - 23	4
24 - 35	8
36+	12

Maximum monthly benefit is ARS 300; minimum monthly benefit is ARS 150.

It is determined as follows:

Collection period	Amount received
Months 1 - 4	Half of the highest salary of the last 6 months of employment
Months 5 - 8	85% of the amount collected in the first period
Months 9 - 12	70% of the amount collected in the first period

The full benefit consists of:

- Unemployment benefit (basic amount)
- Corresponding family allowances
- Medical assistance

The period during which benefits are received is added to the contributions required for the retirement pension.

#### Universal allowance (Decree 1602/2009)

The universal allowance consists of a monthly payment of ARS 180 per child under 18 years for unregistered unemployed workers (informal economy), who do not receive any other payment allocation under any other social plan. If the worker is unemployed or active in the informal economy and has the care of a disabled child, the allocation will be ARS 720 and will have no age limit.

### **Other Benefits**

#### *Maternity Benefits*

Maternity benefits are provided to female employees who have contributed to the National Insurance Fund for at least 10 months preceding maternity leave. The maternity benefit amounts to 100% of earnings, payable for 90 days (30 or 45 days before and 60 or 45 days after leave, at the option of the insured).

Female employees may also take an additional 3 to 6 months' unpaid leave.

#### *Family Allowances*

Monthly amounts are paid to employed and unemployed workers in relation to their family status and their salary or unemployment allowance.

### **Taxation**

In January 2000 Law 25.239, "*Reforma Impositiva*", decreed the adaptation of a normative retention regime for non-taxable rents with deductions such as those allowed for family dependants, medical cover and hospital stays.

#### *Benefits*

Taxable as income.

### **Other Information**

#### *Reciprocal Social Security Agreements*

Argentina has reciprocal social security agreements with Brazil, Chile, Greece, Italy, Paraguay, Peru (not in force), Portugal, Spain and Uruguay.

Agreements are being negotiated with Canada, France, Mexico, Switzerland and the United States of America.

## IV PRIVATE BENEFIT PLANS

### Background Information

Companies, associations and professional groups, civil associations, employers, banks and other public institutions are allowed to provide group life insurance to members, employees and debtors. The policy is usually determined in a “main contract” between the institution and the insurance company. The creditor group is formed by entities which lend money such as banks, financial service companies, savings and lending associations, credit card companies and their debtors.

### Eligibility

A typical group benefit plan in Argentina would enrol all permanent full-time employees under age 65. Dependents are eligible depending on the chosen coverage. Each insurance company imposes its own conditions and restrictions.

### Contributions

Depending on the policy terms, it can be fully funded by the employer or split between the employer (institution) and the employee (member).

### Retirement Benefits

#### *Retirement Age*

Normal retirement: 65M/60F

#### *Benefits*

Supplementary retirement plans are still uncommon.

Old age pension plans are also offered to some employees as an additional salary benefit. In these cases the premium is frequently shared as a predetermined percentage.

In a few cases, companies also offer group disability coverage. These are mostly foreign companies.

### Disability Benefits

Not customary.

## Sickness Benefits

### *Qualifying Conditions*

Workers are entitled to their salary for each day they have been off work due to sickness. In such cases, the employer should be appropriately insured with a policy relevant to the degree of risk associated with the type of work undertaken by the company. The employer must pay sickness contributions for the first 10 days of any sickness period. After this the insurance company shall make the payments for the stipulated period.

### *Benefits*

Employers are legally required to pay the full salary for up to three months for employees with less than five years of service, or up to six months for those with over five years of service. If the employee has dependants, both periods are doubled. If at the end of these periods the employee is still not able to work, the employer is obliged to keep the job open for an additional year.

## Death Benefits

The employer is obliged by law to provide group life cover of ARS 9,000 for each employee. In this case, insurance companies act only as administrators. Money is transferred to a special fund controlled by the *Superintendencia de Seguros*.

The insurance plan covers death of the insured for a capital sum based on a fixed amount or number of salaries. This main cover can be extended with additional riders. These riders can include accidental death and dismemberment, disability due to accident and disability caused by illness, transplants, critical disease, daily income for hospitalisation, monthly guaranteed income, et cetera. A typical group life plan covers 20/25 times the monthly salary.

## Medical/Health Benefits

Private medical service companies (*sistema de prepago*) have prospered for many years to complement the deficient compulsory state/union schemes (*obras sociales*). These service companies were careful to differentiate themselves from insurance companies in order to avoid the controls and restrictions applied to insurance companies. However, due to uncontrolled increases in monthly fees, regulatory entities are now studying the possibility of regarding these companies as insurance companies. These private medical companies offer 2 systems: Closed (only specific doctors and hospitals may be used) or open (free choice of doctors and hospitals, reimbursement system).

All workers who have completed at least one year of employment with the same employer may change medical plans. This means they may join a medical scheme in a union different from the one they currently belong to, or they may opt for private medical services.

The private medical service companies may present their plans and costs. If the contributions made by employee and employer are not enough to cover the elected plan, the difference is charged to the employee. The employee may change medical plans once per year. In most large companies private medical plans are offered free of charge to senior managers. In these cases, all contributions are covered by the employer. Private medical plans for clerical employees are contributory.

## Taxation

There is a life and pension insurance tax of 0.6% on premiums plus a provisional stamp tax that varies up to 2%. Personal accident tax is 0.6%. There is also a minimum stamp tax which varies in each province.

Insurance policies are subject to 21% VAT (value added tax). Life insurance is excluded. Employer and employee pension contributions are tax-deductible. Benefits are taxed as income.

To stimulate the development of the private insurance sector, there are certain tax advantages. Up to a certain amount, and depending both on the type of insurance and the insured in question, these incentives are deductible from the taxable base of the income tax as follows:

Private insurance - Income tax deduction ceiling		
Type of insurance	Employee contribution	Employer contribution
Life insurance	ARS 996 per year	Fully deductible

## Double Taxation Agreements

Argentina has double taxation agreements with Australia, Austria, Belgium, Bolivia, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom.

## Other Benefits

### Termination Indemnity

In the case of non-work-related death of an employee, the employer must pay a lump sum of 50% of monthly salary per year of service. In case of total disability as a consequence of sickness or accident, the employer must pay a lump sum of 1 monthly salary per year of service. The base salary must be the highest monthly compensation rate received during the last year of service, but may not exceed 3 times the average amount of compensation stipulated in the collective wage agreement for the work concerned.

If an employee is dismissed without just cause, the employer must pay an indemnity of one month's salary equivalent to the highest monthly salary during the last year of employment for each year of service.

### *Family Subsidy Fund*

Employees are entitled to collect family subsidies. The amount of this subsidy fund varies according to the number of children, their education status, their age and ability or disability to work. Family allowance is not considered to be part of salary and is therefore not taken into account when computing the statutory bonus, nor is it subject to social security or income tax. The funds to pay these allowances are obtained from a compensation fund to which all employers are obliged to contribute.

### *Bonus*

Employees are entitled to an annual legal bonus in the form of a 13th month's salary, called *aguinaldo*. It is payable in 2 semi-annual instalments, due in June and December, and is equal to 50% of the highest monthly salary during the previous six months.

## V FUTURE OUTLOOK

### **Trends in the Insurance Industry**

Insurers continue striving to sustain profitability in the face of capital constraints, volatile asset values, the softening of non-life premium rates and the slowdown in the economy.

This difficult business climate is likely to accelerate consolidation as insurers pursue scale, synergies and new sources of revenue. Current conditions will also spur further developments in distribution and customer relationship management as insurers look to enhance their understanding of their clients and offer more integrated and responsive multi-channel services.

After a period of cost cutting and retrenchment, insurers are once again shifting up a gear and striving for managed growth.

The ceiling for insurance payments under Workmen's Compensation cover was eliminated with effect from November 6, 2009. As a result, insurance companies have announced that they may raise employer contributions.