



IGP Country Profile **Colombia**





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Customary Employee Benefits

Death benefits

Most companies provide group life insurance as part of their employees' compensation package. If a company provides life insurance to more than 80% of its employees, the value of the paid insurance premiums is tax deductible.

For the employer, it is considered as a company expense, so based on their income tax return scheme, it could imply a lower tax value. As the expense is not assumed by the insured, it is not deductible from personal income.

If the benefit from life insurance is less than UVT 3,250, it must be declared but is exempt from income taxes. If the Benefit is more is more tan UVT 3,250, a gains tax must be paid.

Typically, the benefit provided by employers to their employees is a Group Life policy with basic protection; i.e., a lump sum for death due to any cause and with the possibility of taking out other additional coverage.

Additional coverages can include:

- Total and permanent disability by accident or disease
- Death and/or accidental dismemberment benefits
- Critical Illness
- Funeral expenses
- Medical expenses for accidents, but it is not usual.
- Financial aid for illnesses or accidents
- Additional coverage for accidental death on commercial flights. It can be the sum insured or the elimination of the exclusion.
- Expenses for repatriation

Pension gap insurance

As part of the group life insurance plan, it is customary to include pension gap insurance. The insurance company must do an actuarial study to determine the sum insured. MAPFRE does not offer this coverage.

Profit sharing

It has also become common to include a profit-sharing arrangement. The profit is calculated using a predetermined formula and paid out at the end of the policy period. If the result is positive, the insurance company applies it as discount towards the renewal policy. If the policy is not renewed, the discount does not apply.

Sometimes clients will request local profit sharing; but generally, if there is a pool, the profit-sharing option is removed. However, there are some policies that have a profit-sharing arrangement that affects the pool.

Expatriates

Special coverage may be provided for expatriates that includes continuity of coverage and waiver of insurability requirements.

MAPFRE Colombia can cover expatriates provided they are Colombians or foreigners residing in Colombia. If these conditions apply, expatriates can be included in the coverage. Insurability requirements must be met.

Contributory vs. non-contributory

In Colombia, group life policies are classified as contributory or non-contributory, depending on who pays the premium. The employer pays the entire premium for a non-contributory policy.

With a voluntary policy, the employee pays part or the entire premium, which is based on a multiple of salary.

However, it is more common for voluntary plans to be based on a fixed sum insured and not a multiple of salary.

Disability benefits

Most companies provide group life insurance as part of their employees' compensation package.

Typically, the benefit would be a lump sum for death due to any cause.

Within the group life policy (basic protection = death from any cause), the Total and Permanent Disability benefit is included.

Additional coverages related to disability that can be included are as follows:

- Total and permanent disability by accident or disease
- Death and/or accidental dismemberment benefits
- Critical Illness
- Funeral expenses
- Medical expenses for accidents
- Financial aid for illnesses or accidents
- Additional coverage for accidental death on commercial flights
- Expenses for repatriation

Medical benefits

Healthcare insurance in Colombia is compulsory and provided by either the public sector insurance entities or approved private medical plans. A resident must sign up for coverage for themselves and their dependents.

The public insurance component of the healthcare system is provided by Empresa Promotora de Salud (EPS), which are health “promoting” organizations that offer a mandatory basic healthcare plan known as Plan Obligatorio de Salud (POS).

The EPS administers the POS and must either establish its own network of medical providers and facilities or contract for these services with Intituciones Prestadoras de Salud (IPS), which are institutions that provide medical care directly to patients; i.e., hospitals, clinics, and laboratories, etc.

The EPSs are funded by payroll contributions from the employer and employees as well as subsidies from the government. Benefits include medical care, pharmaceuticals, maternity, and pediatric care.

Company-sponsored health insurance provides benefits not covered or restricted by the mandatory basic health plan or benefits that require complicated procedures. Private plans provide a higher level of services. MAPFRE Colombia does not offer private medical plans.

Retirement benefits

Law 100 introduced a dual public-private competitive pension system: a state-managed defined-benefit scheme run by ISS and a privately managed defined contribution system provided by Administradoras de Fondos Pensionales (AFPs - Pension Fund Administrators) and private providers of pension services and annuity payments, such as insurance companies.

In April 2012, administration of the pay-as-you-go public pension system was transferred to Colpensiones, a state-owned financial institution supervised by the Ministry of Labor. ISS was closed due to persistent problems with debt and inefficiency.

Colpensiones also administers a subsidized pension program for low wage earners known as Beneficios Económicos Periódicos (BEP) or Periodic Economic Benefits. This program is for workers who earn less than the minimum wage and do not qualify for either a public or private minimum pension.

Private pension scheme

Under the Private Pension Scheme, the pension age will depend on the accumulated capital, which must be more than 110% of the current monthly minimum salary.

If this requirement is not met, the employee must wait until retirement age is reached. After January 1, 2014, the retirement age will be the same as for the social security system: 62 for men and 57 for women.

If the insured has not reached the required amount to receive a minimum pension, and he or she had contributed for at least 1,200 weeks, the Guaranteed Minimum Pension Fund (Fondo de Garantía de Pension Mínima) will provide the funds to meet the minimum requirements.

The insured can choose the kind of pension he or she wants to receive.

Pension types

- **Life annuity**
Programmed Retirement with Deferred Life Annuity
- **Programmed retirement**
The insured obtains the pension from the AFP (Pension Fund Administrator) where he or she has an individual account, and the pension amount depends on the profitability of the investments.
- **Programmed retirement with deferred life annuity**
In order for totally disabled or old-age pensioners to continue to receive medical care, they must contribute 2% of their pension.

NOTE: Mapfre Colombia does not have any products in its portfolio to assume risks associated with pensions.

Voluntary pension funds

The voluntary pension is a supplementary retirement option used to increase the individual capital in order to receive higher old-age pension amounts or to retire earlier.

The voluntary pension is a regular payment that the employee receives after he or she reaches the requirements for the mandatory old-age pension.

The employee makes additional contributions to an AFP each month, trimester or year, and the money is invested in portfolios with different risk levels and profitability.

The employee determines the amount and timing of the contributions, even the amount of time that he or she wants to participate in the fund.

NOTE: MAPFRE Colombia does not have any products in its portfolio to assume risks associated with pensions.

Pension gap insurance

Pension Gap is the difference between the real earnings of an individual and the corresponding monthly pension amount.

The mandatory pension will not cover this difference, and it is especially difficult and expensive during the first years because the pensioner and his or her family must adjust to receiving less income.

The principal insurance objective is to cover the difference between the actual wages of the employee and the actual pension that the insured will receive for a disability or survivors' pension.

Basic Benefits:

- **Survivors' pension**

The assured capital accumulated, which is based on the contributions and investment return on those contributions, is payable to the beneficiaries if the employee dies.

- **Disability pension**

- **Flexible compensation and integral remuneration (Remuneración Flexible Integral)**

Through this scheme of flexible compensation, companies mix wages with contributive benefits and extra wages to provide personal necessities.

The employee receives Contribution Base Income equal to 70% of his or her salary and the other 30% in benefits.

Benefits can include health, education, vehicles, voluntary pensions, insurance (auto, home and life) and vouchers for food, gas, clothes, etc.

In this case, the pension is equal to a maximum of 70% of the individual's actual wage.

- **Replacement rates**

The average percentage for the old-age pension is 63.5% of the Termination Base Income, but it could be even less for those employees whose contribution is based on flexible remuneration or Integral Wage (Salario Integral), also called Flexible Integral Remuneration (Remuneración Flexible Integral).

- **Maximum contribution**

Employees earning more than 25 times the monthly minimum wage must pay contributions with a maximum Termination Base Income of 25 times the monthly minimum wage.

NOTE: Mapfre Colombia does not have any products in its portfolio to assume risks associated with pensions.

Legislative news

Healthcare Reform

January 2024

Healthcare reform has been proposed that would shift control of healthcare system funding from private companies to the government to provide more efficient management of the healthcare system

The proposed reforms involve several changes, including transitioning EPS insurers to a more administrative role, centralizing healthcare funding under a single public entity, establishing medical practices and primary care centers, especially in rural areas to provide more widespread access to healthcare. Changes to contribution levels have not been proposed at this time.

Law 2381 of 2024 Pension Reform

Law 2381 of 2024 was enacted establishing the Comprehensive Social Protection System for Old Age, Disability and Death, effective July 1, 2025.

This legislation signifies a major shift in the nation's pension system by expanding access to pensions to more people and redirecting pension contributions toward the public pension system.

The current system gives members the choice between a state-run defined benefit plan and an individual defined contribution savings account plan managed by private pension fund administrators (AFPs).

The new legislation would create three state-run pillars and a fourth voluntary pillar for high-income earners.

The four pillars:

- Solidarity pensions for low-income individuals aged 65 or older with little to no accrued pension.
- Semi-contributory pensions for individuals who have participated in a pension scheme but do not have the minimum required weeks of insured employment to retire at the normal retirement age.
- Contributory pensions: employees would contribute to a state pension fund based on earnings up to three times the monthly minimum wage. Earnings above this amount would be contributed to individual defined contribution accounts managed by AFPs. At retirement, benefits from both accounts would be combined into a single pension.
- Voluntary pensions: a new optional savings plan to complement the state pension for high-income individuals funded by contributions from the employee.

Trends

- Increased demand for flexible benefits
- Post pandemic – an increased demand for mindfulness and wellness programs and mental health support

Typical employee benefits plans

The plan can be adapted regarding the value assured by the group life plan, as well as the limits or the granted coverages, percentages, contributions, etc. necessary to meet the needs of the client.

Pension plan

Basis for calculation of benefits:

Termination Base Income (TBL) - The basic monthly wage based on the employee's average earnings during the ten years prior to retirement.

Eligibility requirements:

- 55 Women, 60 Men
- 1,150 weeks of contributions or enough capital for a life annuity over 110% of the monthly minimum wage.

Level of benefits:

- Old-age pension
 - Medium Solidarity Premium Scheme:
Between 55.5% and 80% of the Termination Base Income
 - Individual Solidarity Savings Scheme:
Depends on capital in the individual account
- Survivor pension
 - Death of pensioner:
100% of old-age pension
 - Death of employee:
Between 45% and 75% of the Termination Base Income
- Permanent and total disability:
Between 45%-75% depending on the loss of labor capacity

Financing method:

Pension administration contract

Employee contribution:

4% of Contribution Base Income

Employer contribution:

12% of employee's basic wage

Occupational risk insurance

Basis for calculation of benefits:

Termination Base Income (TBL) - The basic monthly wage based on the employee's average earnings during the ten years prior to retirement.

Eligibility requirements:

- Occupational cause

Level of benefits:

- Disability pension
Between 60% and 75% of the Termination Base Income
- Survivor pension
 - Death of pensioner: 100% of old-age pension
 - Death of employee: 75% of the Termination Base Income
- Short-term disability:
100% of the Contribution Base Income for a maximum duration of 360 days

Financing method:

Risk insurance contract

Employee contribution:

None

Employer contribution:

100% according to the risk classification

Group life insurance

Eligibility

All employees including professional employees. The group life policy can be either a standard plan or adapted to the needs of the employer.

Death benefit

An amount equal to a multiple of monthly salary up to a maximum of COP 2,200,000,000.

The individual sum insured is not necessarily based on monthly salary but can also be a fixed sum, based on a specific plan or a free election, etc.

Employee contribution

50% (Contribution can be changed, or it can become totally the responsibility of the employer.)

Group health insurance

Eligibility

All employees and their dependents, including spouses and children up to age 23. Parents can sometimes be included.

Daily hospital room and board

100% of the cost

Special charges

100% of the cost

Surgical reimbursement

100% of the cost

In-hospital medical care

100% of the cost

Minor surgery:

100% of the cost

Maternity:

100% of the cost

(If the policy is in dollars, up to a maximum of USD 10,000.)

Major Medical

Maximum room and board:

100% of the cost

Deductible:

None. If the policy is in dollars, the deductible is between USD 2,000 and USD 20,000.

Coinsurance:

None

Major Medical Expense policies can be offered where the benefit limits are established in accordance with the needs and requests of the client; therefore, they may vary in relation to what is shown above for the sample Group Health Insurance plan.

Useful links

Demographic information and macro-economic indicators

[CIA World Factbook](#) (please select the country to review)

[World Bank Group](#) (please select the country to review)

The Social Security system in Colombia is very complex. It is comprised of subsystems for healthcare, pensions, labor risks, and family allowances.

Ministry of Labor

<http://www.mintrabajo.gov.co/>

Ministry of Health and Social Protection

<https://www.minsalud.gov.co/English/Paginas/inicio.aspx>

Colpensiones

<https://www.colpensiones.gov.co/>

Superintendent for Family Subsidies

<https://www.ssf.gov.co/>

More information on MAPFRE Colombia Vida Seguros, S.A.

Your Local Link to IGP in Colombia

Go to partner page on www.igpinfo.com

MAPFRE Colombia Vida Seguros, S.A.

<https://www.mapfre.com.co/>





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