

IGP Country Profile 2022

Chile

Prepared by:
MAPFRE Chile





Preface

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Your Local Link to IGP in Chile MAPFRE Compañía de Seguros de Vida de Chile S.A.

Mapfre Compañía de Seguros de Vida de Chile S.A. is headquartered in Santiago and provides a range of insurance solutions to individuals and businesses via a network of 40 offices located throughout the country. It has a financial rating of A+ from Feller Rate Clasificadora de Riesgo (an S&P Affiliate) and an A rating from Humphreys, Ltd. (an affiliate of Moody's).

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Key Products

Life

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- Accidental Death and Dismemberment
- Permanent & Total Disability Rider
- Group Personal Accident
- Travel Accident

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(Information available in Spanish.)

Social Security Benefits and Customary Private Employee Benefits

Introduction:

On May 1, 1981, the Chilean Social Security system was replaced by a mandatory individual account system (Sistema de Capitalización Individual) administered by private institutions called Administradoras de Fondos de Pensiones (AFPs), which collect and distribute the funds of Social Security.

Participants participating in the old system at the time of the change had the option to retain their existing coverage until May 1, 1986. At that time, if still actively employed, they were obliged to join the new system.

Employees or self-employed individuals earning less than three times the legal monthly minimum wage and who had coverage under the old system prior to January 1, 1983, could remain in the old system.

New employees hired as of January 1, 1983 were required to join the new system.

The majority of employees in Chile now participate in Sistema de Capitalización Individual, and the pay-as-you-go social security system is being phased out.

The mandatory individual account system has provided Chile with one of the largest pools of retirement funds in the world.

1988 Reform of AFPs:

The administration of AFPs is closely monitored by the government, especially regarding allowable investments, minimum rates of return and reserve levels.

On January 1, 1988, the Social Security system was amended with regard to AFPs. The revisions included the following:

- The AFP must have complete freedom in selecting the life insurance company that will provide the death and disability coverage. The coverage will be extended automatically for up to 12 months if the individual becomes unemployed.
- Assets attributable to required contributions must be separated from assets arising from voluntary contributions.
- AFP contributions are no longer required for men over age 65 and women over age 60.
- AFPs could offer more investment alternatives, and the capital requirements for new AFPs were reduced.

2008 Pension Reform:

In March 2006, shortly after being inaugurated as Chile's first woman President, Michelle Bachelet created an independent commission to study and make recommendations for the reform of Chile's 25-year-old mandatory pension system, which consists of individual retirement accounts (AFPs).

The Commission was made up of economists and experts in law and public policy. Ideas were solicited from the public sector, including businesses, trade unions, academics and social service agencies.

The Commission quickly concluded that the current system of individual accounts was insufficient to provide most people with adequate income for retirement. It was originally believed that a person would receive 80-85% of their final salary as a retirement pension, but the figures were closer to 50% for men and less than 30% for women.

Social Security Benefits and Customary Private Employee Benefits

A minimum pension was provided under the old Social Security System (closed to new members in 1983). Under the individual retirement accounts system, a top-up subsidy is provided by the government so that individuals receive at least a minimum pension if they exhaust their savings.

To be entitled to this minimum pension, people had to have contributed to their individual account for at least 20 years, and their income from all sources had to be less than the minimum amount established by the government.

The Commission concluded that under this system, less than half of the population would receive a pension greater than the minimum Social Security pension because they would not have been able to make the 20 years of required contributions. Particularly at risk for not having sufficient retirement funds were the self-employed, temporary workers, and a large percentage of women, who typically earn less than men and spend more time out of the workforce.

To address these deficiencies, the Commission recommended several reforms that were enacted by the government in 2008. These reforms expanded cover under the Sistema de Capitalización Individual, established both a non-contributory and a top-up benefit, and allowed for voluntary individual savings accounts to be sponsored by employers.

Social Security Contributions:

Benefit	Employee	Employer	Cap
Mandatory Individual Account for retirement benefit	10% plus administration fees (.41% - 1.48%) 1-2% if working under difficult or strenuous conditions	1-2% for employees working under difficult or strenuous conditions	UF 81.6
Disability & Survivors (SIS)		1.53%	UF 81.6
Health Insurance	7%	0%	UF 81.6
Unemployment Insurance	0.6%	2.4%	UF 122.6
Occupational Accidents & Diseases		0.95%	UF 81.6

January 1, 2022

Retirement

Employees must make the following contributions up to a monthly cap of UF 81.6. UF (Unidades de Fomento) are units of currency adjusted monthly based on the Chilean Consumer Price Index (IDC).

- 10% of monthly salary for retirement pension plus an additional (.41% - 1.48%) for administration.
- An additional 1% or 2% is contributed by those working under difficult or strenuous conditions depending on the job. The employer makes this contribution as well.
- Employees can also make additional, voluntary contributions of up to 10% of monthly salary. All contributions are tax-deductible.

Employees make their contributions to the "Administradora" (AFP) of their choice. Administradoras are regulated investment companies organized by financial institutions, unions, and other groups who compete for employee contributions.



Social Security Benefits and Customary Private Employee Benefits

LIFE BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p><i>Please see Survivors' Benefits.</i></p>	<p>Group life insurance has long been a factor in the Chilean employee benefits market, and many companies have group life plans in force.</p> <p>The typical benefit is 24 times monthly salary. Accidental death and disability riders are also available.</p> <p>A unique feature of Chilean life insurance policies, including group life, was that the sum insured was expressed in index-linked insurance units known as Unidades de Seguros Readjustables (USR) or <i>Unidades de Fomento</i> (UF).</p> <p>Most USR policies are now changed to UF upon renewal. Unidades de Fomento are units of currency adjusted monthly based on the Chilean Consumer Price Index (IDC).</p> <p>Current values of the UF can be found on the website of the Central Bank of Chile: http://www.bcentral.cl/eng/index.asp.</p> <p>It is unlikely that the need for group life benefits will be impacted by social legislation. As far as the insurance industry itself is concerned, regulatory reform was accomplished in 1984 with the abolition of fixed premium tariffs and the ending of the state reinsurance monopoly.</p>

DISABILITY BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Disability Benefits</p> <p><i>Partial Disability:</i></p> <p>A pension would be paid equal to 50% of the average income of the insured during the previous ten years.</p> <p>As a result of a modification in the Law Decree 3500 of 1980, benefits for partial disability changed as of August 1, 1990. A partial disability is one in which the worker's capacity is reduced by at least 50% but not more than 66.6%.</p> <p><i>Total Disability:</i></p> <p>A pension would be paid equal to 70% of the average income of the insured during the previous ten years.</p> <p>Temporary disability benefits, whether for total or partial disability, are granted for up to three years, at the end of which a re-evaluation is necessary to determine the insured's status.</p> <p>The temporary pension will range from 50% to 70% of base salary depending upon whether the disability is partial or total.</p> <p>These percentages will decrease to 35% or 50% respectively, with a maximum duration of up to 12 months, for unemployed or terminated workers.</p> <p>The Law Decree further mandates that if an individual who is receiving temporary disability benefits dies, the insurance company must pay an additional amount to the surviving beneficiaries to enable them to receive a proportional benefit based on the insured's pension.</p> <p>Finally, the Law Decree requires that if a disability, whether total or partial, is deemed permanent, the insurance company must make corresponding additional payments so that the insured may obtain a life pension.</p> <p>Disability and survivors' benefits cease at age 65 for men and 60 for women.</p> <p><i>Aporte Previsional Solidario (APS)</i></p> <p>A top-up solidarity benefit for disability, Aporte Previsional Solidario (APS), was introduced in 2008.</p> <p>This benefit is provided to individuals who have a disability pension from an individual account (plus any survivor benefits) that is less than the basic monthly disability solidarity pension. The benefit is means tested, and there are age and residency requirements.</p>	<p>Disability Benefits</p> <ul style="list-style-type: none"> • Disability cover is often provided in conjunction with group life insurance. • Accidental death, disability and dismemberment usually provided via riders to the group life policy. • The typical benefit is 18, 24 or 36 times monthly salary. • Sickness benefits can be provided via group plans to cover the gap between the amount provided by Social Security and the insured's salary. • Long-term disability is usually not an employer-sponsored benefit.



Social Security Benefits and Customary Private Employee Benefits

Pensión Básica Solidaria (PBS)

To expand coverage to the poorest of the population, a non-contributory benefit, Pensión Básica Solidaria (PBS), was introduced in 2008 that provides old-age and disability benefits to individuals age 65 or older who do not qualify for any other type of pension.

To receive the disability benefit, the individual must have been a resident of Chile for at least five of the six years immediately prior to applying for the benefit and be certified as disabled by a government agency.



Social Security Benefits and Customary Private Employee Benefits

SURVIVORS' BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Spouse's Pension</p> <p>A widow or disabled widower can receive survivor benefits if the insured was making contributions or receiving an old-age or disability pension at the time of death.</p> <p>The widow(er) must have been married to the deceased for at least six months or three years if the marriage occurred while the worker was receiving a retirement or disability pension.</p> <p>If there are no eligible children, the widow(er) receives 60% of the old-age or disability pension the spouse was entitled to or receiving at the time of death. The pension will be reduced to 50% if there are children entitled to receive orphans' pensions.</p> <p>Orphans' Pension</p> <p>Orphans receive 15% of the old-age or disability pension until age 18, or 24 if a student. There is no age limit if the child is disabled. Partially disabled children over the age of 24 receive 11%.</p> <p>If there are no other eligible survivors, then the pension may be paid to the parents of the deceased.</p> <p>Funeral Benefit</p> <p>A family member who has paid expenses for the funeral of the deceased can be reimbursed from the deceased's individual account up to 15 UF.</p>	<p><i>Please see Life Benefits.</i></p>

MEDICAL BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>The health system in Chile consists of mandatory health insurance that can be either public or private. Public insurance is offered through the National Health Fund (FONASA), a non-profit provider.</p> <p>Private insurance can be purchased from either for-profit or not-for-profit private health insurance institutions known as ISAPRES. ISAPRES were established in 1981 via the new Social Security system.</p> <p>Employees are free to choose under which system they will receive care, FONASA or ISAPRES.. Both institutions cover employees and their legal dependents. Employees can make additional voluntary contributions over and above the mandatory 7% to obtain better health benefits for themselves and their dependents.</p> <p>Each individual contract must run for at least one year. The contract can be canceled by an employee with 30 days' notice. The coverages under the contract can be provided either in the form of reimbursement of incurred costs or through the direct provision of medical care (e.g., by an HMO).</p> <p>Those who contribute to FONASA can receive medical care via the public system, or they can choose a private health care provider and make a co-payment. The amount of the co-payment is based on the income level of the insured; those with a higher income must pay a higher co-payment.</p> <p>Covered benefits include basic primary care provided by a physician or medical provider; preventive and curative services, including health screenings; surgery; hospitalization; diagnostic services; home visits; emergency care, etc.</p> <p>Explicit Health Guarantee (GES) laws implemented in 2005 contained provisions for basic primary care, emergency care, and targeted health problems. An important component of this legislation is the Universal Access and Explicit Guarantees (AUGE) plan, which details coverage guarantees for 56 health problems and conditions.</p> <p>ISAPRES must provide the same benefits as legislated by the GES. However, they can offer additional coverage for an extra cost.</p> <p>Cash Benefits for Short-Term Sickness & Maternity/Paternity</p> <p>Cash benefits for short-term sickness, maternity and paternity are available via either the public (FONASA) or private (ISAPRE) health system.</p>	<p>Since 1984 there have been private supplementary health plans.</p> <p>Supplementary health plans reimburse expenses incurred by the insured and his or her dependents after deducting any benefits for which he or she may be eligible from a legally required health institution (ISAPRES or FONASA).</p> <p>These plans supplement the basic Social Security coverages subject to certain percentages of reimbursement and maximum limits.</p> <p>The benefits are as follows:</p> <ul style="list-style-type: none"> • Room and Board • Other Hospital Expenses (Fees, Operating Room, Examinations, Medicines, etc.) • Maternity: <ul style="list-style-type: none"> • Normal Delivery • Cesarean Section • Miscarriage • Out-Patient Expenses • Cancer Coverage • Dental Treatment <p>Normally, contributions for supplementary health insurance are paid 50% by the employer and 50% by the employee.</p>

Sickness Benefits

Benefits for short-term illness begin on the fourth day for an absence of less than 11 days. For absences of at least 11 days or more, the benefit commences on the first day and can continue until it is verified as a disability.

To qualify for the sickness benefit, the employee must have contributed for at least six months, and at least three of these months must be during the last six months. Contract workers must have contributed for at least six months, including 30 days during the previous six months. The same qualifying conditions also apply for maternity and paternity benefits.

There are no qualifications for conditions resulting from an accident.

Private sector employees receive a benefit equal to their average monthly net earnings during the previous three months. Public sector employees receive a monthly benefit of 100% of their earnings prior to the onset of the illness.

Maternity Benefits

A benefit is paid for six weeks before and 12 weeks after the expected delivery date. In the case of multiple or premature births, the benefit may be extended. The benefit may be paid for up to a year for the adoption of a child under the age of six months.

Paternity Benefits

A benefit is paid for up to five days during the 30 days following the birth of the child and may also be paid for the adoption of a child under the age of six months.

RETIREMENT BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Retirement Age</p> <p>Normal retirement occurs at age 60 for women and 65 for men.</p> <p>An individual can apply for early retirement if the following minimum savings requirements are met:</p> <ul style="list-style-type: none"> The amount in their individual account is equal or greater than 80% of the maximum solidarity pension, known as Pensión Máxima con Aporte Solidario (PMAS). The amount in their individual account is equal or greater than 70% of their average income for the past 10 years. <p>If an employee has worked under difficult or strenuous conditions and has made contributions for at least 20 years, he or she can reduce their retirement age by one or two years for each period of five years up to a total of ten years.</p> <p>Pension Benefits</p> <p>Administradoras allocate the employee's contribution to an individual account for the retirement pension.</p> <p><i>Old-Age Pension:</i></p> <p>The old-age pension depends on the total amount of the contributions plus interest. When the employee retires, he or she may purchase an annuity directly from an insurance company rather than take his or her pension directly from the AFP.</p> <p>A minimum pension is guaranteed by the Government, which is periodically indexed to inflation.</p> <p><i>Pensión Básica Solidaria (PBS)</i></p> <p>To expand coverage to the poorest of the population, a non-contributory benefit, <i>Pensión Básica Solidaria (PBS)</i>, was introduced in 2008 that provides old-age and disability benefits to individuals age 65 or older who do not qualify for any other type of pension.</p> <p>The benefits are means-tested and in order to qualify for the old-age pension, the person must have been a resident of Chile for at least 20 years, including four of the five years immediately before applying for the pension.</p> <p><i>Aporte Previsional Solidario (APS)</i></p> <p>A top-up solidarity benefit for old-age, <i>Aporte Previsional Solidario (APS)</i>, was introduced in 2008. This benefit is provided to individuals who have made contributions to an</p>	<p>Social security pensions generally provide 60% of the average salary of the insured during his or her last ten working years, which can leave a significant income gap.</p> <p>Life or disability coverage can be used to provide the employee and their family with additional income to make up this shortfall.</p> <p>Ahorro Previsional Voluntario Colectivo (APVC)</p> <p>In 2008, voluntary pension savings plans, known as <i>Ahorro Previsional Voluntario Colectivo (APVC)</i>, were introduced.</p> <p>Employers are not required to set up an APVC plan, but if they do, the plan must be open to all employees.</p> <p>Employer contributions are tax-exempt, contributions must be made on behalf of all employees, and the percentage of the contribution must be the same for each employee. An employer can offer more than one APVC plan, but employees are not required to join any plan.</p> <p>Employee contributions to an APVC are voluntary. However, to encourage participation, the government offers an annual subsidy of 15% of the total amount that the employee contributes to any voluntary individual savings account. The subsidy is forfeited if the employee withdraws the funds from any of their voluntary savings accounts prior to retirement.</p> <p>To be eligible for the subsidy, the employee must make regular contributions, and their voluntary retirement savings cannot exceed ten times their annual contributions to the mandatory system.</p>

individual account but whose savings (including any survivor benefits) fall below an amount known as **PMAS (Pensión Máxima con Aporte Solidario)**. PMAS is the lowest amount of the old-age pension before an individual would qualify for the old-age social security top-up benefit.

The individual also must have been a resident of Chile for 20 years, including four of the past five years, and be among the poorest segment of the population.

Family Allowance:

The family allowance is a means-tested cash benefit financed and provided by the government to individuals caring for the following dependents:

- Children up to age 18, 24 if a student or any age if disabled
- Disabled spouses
- Widowed mother at any age
- Parents, grandparents or great-grandparents over the age of 65 or disabled
- Stepchildren, orphaned or abandoned grandchildren or great-grandchildren
- Orphans or abandoned children being fostered by individuals in the same circumstances as their own children

As of January 1, 2022, the amount of the Family Allowance is as follows:

Employee's Monthly Earnings	Allowance
Up to CLP 366,987	CLP 14,366 per dependent
Greater than CLP 366,987 and up to CLP 536,023	CLP 8,815 per dependent
CLP 536,023 to CLP 836,014	CLP 2,786 per dependent
More than CLP 836,014	Not eligible

Termination Indemnities:

Under Chilean Labor Code, with a few exceptions, employees are entitled to receive a termination indemnity. The termination indemnity equals one month's pay per year of service up to a maximum of eleven months' pay.

Chilean law has also developed a Substitute Indemnity through the AFP system where the termination indemnity can be a form of indemnity insurance financed through employer contributions.

Type of Insurance	Contributions	Benefits
<p>Social Security</p>	<p>Employer</p> <p>Employers can deduct contributions made on behalf of employees.</p> <p>Employee</p> <p>The required Social Security contributions made by employees are deductible up to a certain limit.</p>	<p>Employee</p> <p>Taxable as income.</p>
<p>Private Plans</p>	<p>Employer</p> <p>Employers can deduct voluntary contributions made on behalf of employees for benefits that complement the benefits provided by Social Security.</p> <p>Employee</p> <p>Contributions made by employees are deductible up to a certain limit.</p>	<p>Employee</p> <p>Taxable as income.</p>



Sample Employee Benefit Plans

Company A:

Death Benefit: An amount equal to 12 times monthly salary.

Accidental Death & Dismemberment:

Accidental Death: An amount equal to the Death Benefit.

Dismemberment: An amount up to the Death Benefit scaled according to the degree of disability.

Permanent & Total Disability:

A lump sum benefit equal to the principal amount of life insurance.

Company B:

Death Benefit:

Executives: An amount equal to 36 times monthly salary.

Non-Executives: An amount equal to 24 times monthly salary.

Accidental Death & Dismemberment:

Accidental Death: An amount equal to the Death Benefit.

Dismemberment: An amount up to the Death Benefit scaled according to the degree of disability.

Permanent & Total Disability:

A lump sum benefit equal to the principal amount of life insurance.

Company C:

Death Benefit:

An amount equal to 12 times monthly salary.

Upon the death of the Insured's Spouse: An amount equal to 50% of the death benefit.

Upon the death of the Insured's Children: An amount equal to 25% of the death benefit.

Accidental Death & Dismemberment:

Accidental Death: An amount equal to the Death Benefit.

Dismemberment (Employees Only): An amount up to the Death Benefit scaled according to the degree of disability.

Permanent & Total Disability:

A lump sum benefit equal to the principal amount of life insurance (*Employees Only*).

Useful Links

CIA World Factbook - Demographic & Macro-Economic Information	https://www.cia.gov/the-world-factbook/countries/chile/
Chilean Ministry of Labor and Social Welfare	http://www.suseso.cl
Central Bank of Chile: Current Values of UF	http://www.bcentral.cl/eng/index.asp
For more information about Mapfre Compañía de Seguros de Vida de Chile , please visit:	https://www.mapfre.cl/seguros-cl/ <i>(Information available in Spanish.)</i>



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