



IGP Country Profile 2022



Colombia

Prepared by:
MAPFRE Colombia



Preface

This Country Profile has been prepared by **MAPFRE Seguros de Colombia, S.A.** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in around 80 countries throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston and our regional offices in Brussels and Singapore, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

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John Hancock Financial
P.O. Box 111, Boston, Massachusetts 02117
United States
T + 1 617-572-8677
E igpinfo@jhancock.com
W www.igpinfo.com

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Table of Contents

YOUR LOCAL LINK TO IGP IN COLOMBIA

MAPFRE Seguros de Colombia, S.A.	4
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CUSTOMARY PRIVATE EMPLOYEE BENEFITS & SOCIAL SECURITY BENEFITS

Introduction	5
Social Security Contributions	5
Group Life Benefits	6
Disability Benefits	7
Survivor's Benefits	9
Medical Benefits	11
Retirement Benefits	14

OCCUPATIONAL HEALTH & RISK BENEFITS 17

LABOR CODE 20

TAXATION 23

SAMPLE EMPLOYEE BENEFIT PLANS 24

USEFUL LINKS 27



Your Local Link to IGP in Colombia: MAPFRE Seguros de Colombia, S.A.

MAPFRE Seguros de Colombia, S.A. The IGP Network Partner in Colombia

MAPFRE Seguros de Colombia, S.A. was established in 1999 and offers a broad range of life, accident, health and savings plans for individuals and corporate clients. Based on premium, it is Colombia's fifth-largest provider of group life insurance and the third-largest provider in the individual life market. It is also the second largest provider of general insurance with a portfolio of products and services for automobiles, homes, small businesses, agriculture, aviation, and government entities.

Mapfre Colombia has over 1,000 employees and services customers via a network of over 150 offices strategically located throughout the country.

Mapfre Colombia is part of the MAPFRE Group, the third largest insurance group in Latin America and the leading company in the region's non-life insurance market. MAPFRE is the largest insurance company in its home country of Spain and the 11th largest insurance group in Europe based on premium volume.

The MAPFRE Group was founded in 1933 and is a global company with a presence in over 100 countries across five continents offering a vast array of insurance, reinsurance and financial services. It has 36,000 employees, 84,000 brokers and a network of more than 5,800 offices that provide service to more than 30 million customers worldwide.

MAPFRE S.A., the group's parent and holding company, is listed on the Madrid and Barcelona stock exchanges, as well as the following indices: IBEX 35, Dow Jones Stoxx Insurance, Dow Jones Sustainability (Europe and World), MSCI Spain, FTSE All-World, FTSE Developed Europe, FTSE4Good and FTSE4Good IBEX.

MAPFRE is a *Fortune Global 500* company and is ranked among the largest companies in the world by *Forbes Magazine*.

Key Products

Life

- Life
- Accidental Death and Dismemberment
- Permanent and Total Disability
- Critical Illness
- Burial Insurance
- Death and PTD for Minors
- Medical Expense Riders for Life Plans

Disability

- Accident and Sickness (STD)

Medical

- Individual Health
- PPO Plans

Other

- Credit Life
- Traffic and Travel Accident
- Workers' Compensation

MAPFRE Seguros de Colombia, S.A. is located on the internet at:
<http://www.mapfre.com.co> (*Information in Spanish.*)



Social Security Benefits and Customary Private Employee Benefits

Introduction:

The Colombian social insurance system began as the Caja Nacional de Previsión (Cajanal), which was established in 1946 for central government workers. In 1967, pension benefits were established with the creation of the public *pay-as-you-go* system: the Instituto de Seguros Social (ISS).

ISS immediately had problems due to low participation and coverage rates. The necessary reform of the system was accomplished via Law 100 of 1993, which created a new Social Security System. Three independent sub-systems were subsequently established that are responsible for pensions, health, and occupational health and safety (workers' compensation and professional risk).

Definitions for Social Benefits:

Pension Adjustments:

Social Security old-age pensions are adjusted annually based on the Consumer Price Index.

Assessment Base:

Contribution Base Income: The maximum earnings for calculating benefits and contributions is 25 times the legal monthly minimum wage. In 2022, the legal monthly minimum wage is COP 1,000,000. The transportation subsidy for those making less than twice the minimum wage is COP 117,172.

Regulating Base:

Termination Base Income, known as Ingreso Base de Liquidación (IBL): The basic monthly wage based on the employee's average earnings during the ten years prior to retirement.

Social Security Contributions:

EMPLOYER		EMPLOYEE
4%	MEDICAL CARE BENEFITS	8.5%
12%	PENSIONS	4% of the basic monthly wage. When an employee's wages exceed 4 monthly minimum salaries, they must contribute an additional 1% for the Solidarity Pension Fund.
9% as follows • 3% - Institute of Family Welfare (ICBF) • 2% National Apprenticeship Service (SENA) • 4% Family Subsidy	FAMILY ALLOWANCES	--
.522% to 8.7% depending on level of risk.	LABOR RISK INSURANCE	--

GROUP LIFE BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>On the death of the insured or pensioner, his or her survivors are entitled to a pension. This pension covers disability, old-age, and death.</p> <p>Please see Survivors' Benefits for more information.</p>	<p>Collective Agreements</p> <p>If a company has unions, the collective agreements would include group life, funeral expenses and health plans for employees and their families.</p> <p>Group Life Insurance</p> <p>Most companies provide group life insurance as part of their employees' compensation package. If companies provide life insurance to more than 80% of their employees, the value of the paid insurance premiums is tax deductible.</p> <p>Typically, the benefit would be a lump sum for death due to any cause.</p> <p>Additional coverages can include:</p> <ul style="list-style-type: none"> • 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 <p>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.</p> <p>It has also become common to include a profit sharing arrangement. The profit is paid out at the end of the policy period and is calculated using a predetermined formula. 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.</p> <p>Special coverage may be provided for expatriates that includes continuity of coverage and waiver of insurability requirements.</p> <p>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.</p> <p>With a voluntary policy, the employee pays part or the entire premium, which is based on a multiple of salary.</p>

DISABILITY BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Short-Term Disability</p> <p>Except in the case of emergencies, the individual must have contributed for at least four weeks just prior to the date of disability.</p> <p>Short-term disability is covered by the Social Security system. The benefit is 66.67% (2/3) of salary for 90 days plus 50% of salary for an additional 90 days. Benefits may be extended for an additional 180 days.</p> <p>If disease prevents an insured from working, he or she will have the right to a subsidy equivalent to 66.67% or (2/3) of his or her earnings in the month prior to the beginning of the disability.</p> <p>The employer is responsible for paying the sickness benefit for the first three days. The social security subsidy will begin on the fourth day of the disability, except in the cases of hospitalization, ambulatory surgery or prorogation, in which case, the subsidy will be paid from the first day of hospitalization, or from the date of the ambulatory surgery.</p> <p>This subsidy will be provided for 180 days continuous, or discontinuous if the interruption does not exceed 30 days.</p> <p>In case the disability extends beyond the initial 180 days, the disability pension qualification system must be utilized.</p> <p>Maternity</p> <p>In the case of maternity, the benefit is 100% of the insured's earnings for 14 weeks or 16 weeks in the case of multiple births. The individual must have contributed for at least nine months before the expected date of delivery.</p> <p>Paternity leave is equal to 100% of the individual's earnings for eight days if 100 weeks of contributions have been made before the expected date of delivery.</p> <p>Long-Term Disability Pension</p> <p>Eligibility for a Social Security disability pension depends on the age of the insured at the time of the disability.</p> <p><i>Accreditation of Disability Caused by Disease</i></p> <p>If the insured is younger than 20 years of age, he or she must have lost 50% of his or her labor capacity by a non-occupational cause and must have made at least 26 weeks of contributions in the year prior to the onset of the disability.</p> <p>If the insured is age 20 or older, he or she must have made 50 weeks of contributions in the last three years and contributions of at least 20% during the period between age 20 and the onset of the disability.</p>	<p>Most companies provide group life insurance as part of their employees' compensation package.</p> <p>Typically, the benefit would be a lump sum for death due to any cause.</p> <p>Additional coverages related to disability that can be included are as follows:</p> <ul style="list-style-type: none"> • 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

The disability must be reviewed and reassessed every three years.

When the disability continues until retirement age, the pension is then considered to be a lifetime benefit.

A settlement is paid to those who do not meet the qualifications for a social security disability pension.

The pension amount will be equal to:

Degree of Disability: 50%-65%

The benefit is 45% of the basic monthly wage, plus 1.5% of the basic monthly wage for each 50 weeks of contributions beyond 500 weeks. The maximum benefit is 75% of the basic monthly wage.

Degree of Disability: Greater than 65%

The benefit is 54% of the basic monthly wage, plus 2% of the basic monthly wage for each 50 weeks of contributions beyond 800 weeks. The maximum benefit is 75% of the basic monthly wage.

The basic monthly wage is calculated based on the employee's average wages during the past ten years (Termination Base Income).

The minimum pension is equal to the legal monthly minimum wage. The maximum disability pension is equal to 75% of the basic monthly wage.

There is an additional amount equal to 14% of the basic pension for the wife and 7% of the basic pension for each minor under age 18. In no event will the total of these additional amounts exceed 42% of the basic pension.

Burial Expense

An amount equal to the last monthly wage. For pensioners, the benefit is the equivalent of one month's pension. The minimum burial subsidiary is 5 times the legal minimum wage, and the maximum amount paid is 10 times the legal monthly minimum wage.



Social Security Benefits and Customary Private Employee Benefits

SURVIVORS' BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>On the death of the insured or pensioner, his or her survivors are entitled to a pension. This pension covers disability, old-age, and death.</p> <p><i>Eligibility</i></p> <p>The required number of contributions depends on the age of the insured at the time of death:</p> <ul style="list-style-type: none"> • <u>Less than 20 years of age</u>: 50 weeks of contributions at the time of death. • <u>20 years of age or older</u>: 50 weeks of contributions in the last three years, plus contributions for at least: <ul style="list-style-type: none"> • 25% of the period from age 20 to the date of death if the death was the result of an illness. • 20% of the period from age 20 to the date of death if the death was the result of an accident. <p>A settlement is paid if the insured did not meet the qualifications for a social security old-age pension.</p> <p><i>Benefits</i></p> <p>A survivor's pension for the death of an employee would be equal to 45% of the employee's basic monthly wage and increases 2% for every 50 additional weeks over the first 500 weeks of contribution up to a maximum of 75% of the employee's basic monthly wage.</p> <p>The amount of the survivor's pension for the death of a pensioner would be 100% of the pension that the pensioner was receiving.</p> <p>The basic monthly wage is calculated based on the employee's average wages during the past ten years (Termination Base Income.)</p> <ul style="list-style-type: none"> • Widow/er's Pension Life Annuity <p>Paid to the spouse or permanent companion. The widow/er must be 30 years or older.</p> <p>If the survivors' pension is necessitated by the death of the pensioner, the spouse or permanent companion has to demonstrate that he or she had lived with the pensioner at least five years before the death.</p> <ul style="list-style-type: none"> • Widow/er's Pension Temporal Annuity <p>Paid to a spouse or permanent companion. The widow/er must be 30 years or younger with no children. The maximum duration is 20 years.</p>	<p>Survivors' Pensions via Group Life</p> <p>Survivors' Pensions can be provided via the group life insurance as shown by the following sample:</p> <ul style="list-style-type: none"> • <i>Survivor Pension:</i> <ul style="list-style-type: none"> • Death of Pensioner: 100% of old-age pension • Death of Employee: 75% of the Termination Base Income <p>Private Pension Scheme</p> <ul style="list-style-type: none"> • <i>Survivors' Benefit:</i> <p>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.</p>



Social Security Benefits and Customary Private Employee Benefits

- Orphan's Pension

An orphan's pension of 20% of the deceased's pension is paid to each child under 18 years or, if a student, up to age 25. There is no age limit if the child is disabled. The pension is 30% if neither the father nor the mother survives (full orphan).

- If the insured did not have a spouse or children, the beneficiaries would be the parents of the insured if they are financially dependent on the insured.
- If the insured did not have a spouse, children or parents, the beneficiaries may be the disabled brother(s) and sister(s) if they are financially dependent on the insured.

Employees who have elected to enroll in a private pension fund managed by an approved administrator receive the same benefits as would be provided by Social Security.

Healthcare

In 1993, the passing of Law 100 led to the reform of both the Social Security health and pension systems.

The employee or pensioner and his or her family members who are the beneficiaries are covered for medical emergencies, maternity and general illnesses, prevention, diagnostic tests, treatment, rehabilitation, pharmacy and ambulance service. The beneficiaries assume some co-payments for the system. High-cost illnesses can be covered if the insured has contributed for a certain length of time.

Healthcare insurance in Colombia is compulsory and provided by either the public sector or private medical plans.

The 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 Intitucones Prestadoras de Salud (IPS), which are institutions that provide medical care directly to patients; i.e, hospitals, clinics, and laboratories, etc.

MEDICAL BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>The healthcare system is based on “cross subsidies” between two components: the Contributive System (CS) and the Subsidized System (SS), which is for those unable to pay for healthcare.</p> <p>Affiliation</p> <p>Individuals affiliated with the contributive regime are those who are linked through an employment contract, public employees, pensioners, retirees and the self-employed with earnings.</p> <p>Individuals affiliated with the subsidized regime are those without ability to pay the fee, often the poorest and most vulnerable of the country: individuals residing in rural and urban areas, pregnant women, postpartum and breastfeeding mothers, households headed by women, children under the age of one, minors in irregular situations, Hansen patients, people over 65 or who are disabled, farmers, indigenous communities, workers and independent professionals, artists and athletes, bullfighters, independent journalists, construction foremen, masons, taxi drivers, electricians and all others who do not have the ability to pay.</p> <p>Contributions</p> <p>The contribution for the healthcare portion of the Contributive Scheme is 12.5% of payroll – the employer pays 8.5%, and the employee pays 4%.</p> <p>Exclusions and Limitations</p> <p>Exclusions and limitations include all those activities, procedures, and interventions that do not contribute to the diagnosis, treatment and rehabilitation of disease; those that are considered cosmetic, aesthetic or sumptuary; and</p>	<p>Group Health Insurance</p> <p>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.</p>

those that are experimental as defined by the National Council of Social Security in Health, including those described below:

- Cosmetic surgery
- Nutritional treatments or those with aesthetic aims
- Treatments for infertility
- Treatments not recognized by scientific or medical associations or experimental treatments
- Treatments for sleep disorders
- Experimental treatment with drugs or substances
- Treatment with individual psychotherapy
- Treatment of periodontal conditions, orthodontia and prosthesis
- Treatment of varicose veins for aesthetic purposes

Other Medical Benefits

Maternity

With the 1993 Law 100, basic benefits provided by Social Security were expanded to include 14 weeks of maternity leave at full pay and a cash sickness benefit of two-thirds of salary for a period of disability extending from the 4th to the 180th day.

The first four days are considered the waiting period.

Coverage for Dependents

The 1993 Law 100 extended coverage to an employee's dependents, including spouses and common-law wives, children under the age of 18 or up to age 25 if a student, and handicapped or disabled children regardless of age.

Coverage can also be extended to a worker's dependent parents if there are no other dependents, and the parent does not receive a pension.

Entidad Promotora de Salud (EPS)

The 1993 Law 100 also provided for the creation and implementation, effective in 1995, of a new system of private healthcare providers known as Entidad Promotora de Salud (EPS).

Individuals may opt out of Social Security and join an EPS, which competes for members directly with the Social Security system and is governed by the same regulations and restrictions.

A member may change his or her EPS every two years.

The EPS is financed by a joint contribution from both the employee and employer, the same as Social Security.

The EPS provides the same basic benefits as Social Security and, for an additional charge, can provide some supplemental benefits including coverage for certain catastrophic illnesses or diseases.



Social Security Benefits and Customary Private Employee Benefits

The EPS also covers the family of the employee, and there are no limitations regarding pre-existing conditions. Certain forms of treatment do have a waiting period, except for maternity or the care of a child under a year old.

For those who need and can afford extra coverage in addition to that provided by Social Security or an EPS, some traditional medical insurance can be obtained. In order to be eligible for private health insurance, an individual must provide documentation that he or she has medical coverage through either Social Security or an EPS.

Pensions

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.

RETIREMENT BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Enrollment</p> <p>Enrollment is compulsory for all employees and self-employed individuals, household workers, contractors, freelancers, workers with benefits from the solidarity fund and all employees of Ecopetrol (the state oil company) who joined the company after January 30, 2003.</p> <p>Enrollment is voluntary for agricultural workers and Colombians living abroad who do not have compulsory coverage. Separate systems exist for employees of Ecopetrol who joined the company prior to January 30, 2003, teachers, and those working in law enforcement or the armed services.</p> <p>Enrollment requires mandatory contributions as set out in Law 100/93.</p> <p><i>Scheme and Entity Selection</i></p> <p>The participant freely and voluntarily chooses a scheme and pension fund manager and accepts all of the economic consequences.</p> <p>After the initial selection is made, the participant is allowed to change schemes only once every three years.</p> <p>Contributions</p> <p>Employers contribute 12% and employees contribute 4% of the basic monthly wage.</p> <p>Independent workers have to contribute 16% of their verifiable income.</p> <p>Workers earning more than 4 to 16 times the legal minimum wage and enrolled in the contributory plan, contribute an additional 1% to 2% to the Solidarity Fund to provide benefits for low wage earners. The maximum Contribution Base Income is 25 times the legal minimum wage.</p>	<p>Private Pension Scheme</p> <p>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.</p> <p>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.</p> <p>If the insured has not reached the amount to get 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.</p> <p>The insured can choose the kind of pension he or she wants to receive.</p> <p><i>Pension Types:</i></p> <ul style="list-style-type: none"> • Life Annuity <p>The insured or beneficiary contracts directly with an insurance company, which pays the monthly pension.</p> • Programmed Retirement <p>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.</p> • Programmed Retirement with Deferred Life Annuity <p>NOTE: In order for totally disabled or old-age pensioners to continue to receive medical care, they must contribute 2% of their pension.</p>

Workers earning more than 16 times the monthly minimum wage contribute another 0.2% to 1% of earnings to the Solidarity Fund according to the following schedule:

16 to 17 monthly minimum wages	0.2% additional
17 to 18 monthly minimum wages	0.4% additional
18 to 19 monthly minimum wages	0.6% additional
19 to 20 monthly minimum wages	0.8% additional
Over 20 monthly minimum wages	1.0% additional

Employees can switch between the public and private system every five years, but they have to choose one plan ten years prior to retirement.

The contributions are distributed (approximately) as follows:

Social Security

13% of the contribution for funding the mutual fund
3% of the contribution for disability and survivors' insurance and administrative expenses

Individual Savings Scheme

11.5% of the contribution for funding the individual account
3% for disability and survivors' insurance
1.5% of the contribution for administrative expenses

Old-Age Pensions

Old-Age Pensions: Law 100 established a subsidy for the old and indigent as long as they fulfill certain requirements:

- Citizen of Colombia
- 65 years of age or older
- Resided during the last 10 years in the national territory
- Not having rents or income sufficient to subsist or existing in a condition of extreme poverty or indigence
- Of limited physical and mental capabilities
- Having no means of economic support, e.g., children, etc.

The 1993 Law 100 reformed the Social Security system and allowed workers to opt out of the public system and contribute to a private pension fund managed by an approved pension fund administrator.

Workers are also allowed to change pension fund management companies every six months and to choose between the private and public system every five years, up until the last ten years before retirement.

Old-Age Pensions Provided via Social Security – Defined Benefit Plans

Since 2014, the retirement age is 62 for men and 57 for women. Prior to 2014, the retirement age was 60 for men and 57 for women.

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.

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.

As of January 1, 2005, the number of contribution weeks increased by 50, and starting on January 1, 2006, increased by 25 weeks each year until reaching 1,300 weeks of contributions in 2015.

2011	1,200 weeks of contributions
2012	1,225 weeks of contributions
2013	1,250 weeks of contributions
2014	1,275 weeks of contributions
2015	1,300 weeks of contributions

A settlement is paid to those who do not meet the qualifications for a social security old-age pension.

Those who work in hazardous occupations are eligible for the Social Security old-age pension at age 50 to 55 with 1,200 weeks of contributions.

Since January 1, 2004, the monthly pension amount will range between 55% and 65% of the Termination Base Income (basic monthly wage based on average earnings during the past ten years) according to the following formula:

$$\% \text{ Termination Base Income} = 65.5 - 0.5s$$

$$s = \frac{\text{Termination Base Income}}{\text{Monthly Minimum Wage}}$$

For the first 1,100 weeks of contributions.

For each 50 additional weeks of contributions, the percentage raises 1.5%, up to a maximum of 80% of the Termination Base Income.

The minimum social security pension is equal to one legal monthly minimum wage (COP 1,000,000 for 2022).

The minimum earnings used to calculate the benefit is the legal monthly minimum wage.

The maximum earnings used to calculate the benefit is equal to 25 times the legal monthly minimum wage.

The minimum pension that a person can receive is equal to the legal monthly minimum wage. The maximum pension is equal to 75% of the basic monthly wage.

The basic monthly wage is a person's average earnings in the last ten years prior to receiving the pension.

Pensions are adjusted annually based on the Consumer Price Index. The minimum pension is adjusted with the monthly minimum wage. All pensions are paid 13 times per year.

- **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 (Remuneracion 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.

Introduction

Occupational healthcare and safety plans are provided by insurance companies known as “Administradoras de Riesgo Profesionales” (Professional Risk Administrators). The system is regulated by the Government. Insurance companies are responsible for receiving the premiums and paying for workers’ compensation and health services. They are also responsible for promotion and prevention activities, as well as the rehabilitation of conditions caused by occupational accidents or diseases.

Key Points

- The enrollment and management is handled by a professional risk administrator (ARP).
- All employers must join the system.
- The enrollment of workers is mandatory for the employer.
- If for some reason, the worker suffers a work accident or occupational disease arising from work and has not subscribed to the system, the employer is legally and financially responsible.
- The employer chooses the professional risk administrator.
- Employers are responsible for their respective contributions to the system.
- The risk coverage system starts from the day following the affiliation.

Premiums

Premiums are determined according to the economic activity and risk, and they represent a percentage of the wages paid to the employees. The system defines five risk classifications: I is the lowest, and V is the highest.

Risk Type	Minimum Value	Initial Value	Maximum Value
I	0.348%	0.522%	0.696%
II	0.435%	1.044%	1.653%
III	0.783%	2.436%	4.089%
IV	1.740%	4.350%	6.960%
V	3.219%	6.960%	8.700%

Occupational Benefits:

The 1993 Law 100 (Social Security Regulations) stipulates that all employers must enroll employees, on the first day of work, in the Compulsory Health Plan of the Professional Risk Administration, which insures for health, death, work accidents and professional illnesses.

The Professional Risk Administration was established to protect and assist employees in dealing with the effects of illnesses and accidents that result due to employment. Its objectives are:

- Improve working conditions and the health of employees
- Provide health benefits and benefits related to temporary disability resulting from illness and accidents occurring in the workplace
- Provide benefits related to permanent or partial disability resulting from illness or accidents occurring in the workplace
- Promote safety in the workplace and correct activities contributing to accidents or illness in the workplace



Occupational Health & Safety Benefits

Medical Assistance:

All employees that have a labor accident or occupational illness are entitled to receive hospital and medical assistance, including surgery, therapy, medications and other services required for their physical and professional rehabilitation.

Short-Term Disability Subsidy:

All employees who have been classified with a temporary disability will receive 100% of their Contribution Base Income immediately following the day of the accident or the occupational sickness was diagnosed. The benefit is paid for 180 days. If the injury or sickness persists, an additional 180 days is paid.

Permanent Partial Disability:

If the disability was caused by a labor accident or an occupational illness, and the worker has lost between 5% and 50% of labor capacity, he or she is entitled to financial compensation of 1 to 24 times his or her basic monthly wage depending on the degree of disability.

Disability Pension:

Disability Caused by Occupational Accidents or Professional Diseases

If a disabled employee has lost more than 50% of his or her labor capacity due to an occupational accident or illness, the pension amount will be equal to:

- Degree of Disability: 50%-65%
The benefit is 45% of the basic monthly wage, plus 1.5% of the basic monthly wage for each 50 weeks of contributions beyond 500 weeks. The maximum benefit is 75% of the basic monthly wage.
- Degree of Disability: Greater than 65%
The benefit is 54% of the basic monthly wage, plus 2% of the basic monthly wage for each 50 weeks of contributions beyond 800 weeks. The maximum benefit is 75% of the basic monthly wage.

The basic monthly wage is the average earnings of the individual in the ten years before receiving the benefit.

Survivors' Pension:

Employee or Pensioner Death Caused by an Occupational Risk

On the death of the pensioner or employee, his or her survivors can claim a survivors' pension.

The pension amount is equal to:

- Death of an employee: A survivor's pension for the death of an employee would be equal to 45% of the employee's basic monthly wage and increases 2% for every 50 additional weeks over the first 500 weeks of contribution up to a maximum of 75% of the employee's basic monthly wage.
The basic monthly wage is calculated based on the employee's average wages during the past ten years (Termination Base Income).
- Death of a pensioner: 100% of the pension that the pensioner received prior to death.
- Orphan's pension: Each child under the age of 18 (24 if a student) is entitled to 20% of the insured's pension. There is no age limit for disabled children. Full orphans receive 30% of the insured's pension.



Occupational Health & Safety Benefits

Eligible survivors include:

- Widow or partner who lived with the insured for at least five years or with whom the insured had children
- A disabled widower
- Children under the age of 18 (24 if a student)
- Disabled children of any age
- Dependent parents
- Disabled brothers or sisters

Coverage for Independent Workers:

Under the 1993 Law 100, independent workers must contribute to the Compulsory Health Plan and the Pension Fund Administrators, under the same conditions that employees do. The contribution bases vary and are dependent on the verifiable income of the independent worker. Under no circumstances can the average base salary be less than two monthly minimum wages.

Contributions:

12.5% of monthly verifiable income for the health system and 15.5% for the pension. If income is not documented, the system for estimating income established by the 1993 Law 100 must be used.

Coverage:

Coverage for sickness, maternity, old-age, disability, and death benefits will be the same as for salaried employees. Waiting periods will apply to individuals who are part of the Social Security Health System for the first time.

Usually, it is not compulsory to contribute to the Professional Risk Administration; however, in certain circumstances, it may be required.

NOTE: Social Security Law 100 contains important changes in the health, pension, and professional risk legislation. It is recommended that the advice of a professional be sought regarding any specific individual or general cases.

Labor Code

Annual Bonus (Prima de Servicios):

Employers are required to pay employees a service bonus equal to one month's basic salary, of which 50% (15 days) is paid in June, and the remaining 50% is paid in December.

Vacation:

Employees are entitled to fifteen working days per year after their first year of service or an amount based on the number of months worked if less than one year.

"Cesantía" (Termination Pay)

In Colombia, employers are mandated to pay termination or severance pay to their employees when the work contract expires or is complete. As severance pay, the employee receives the equivalent of one month's salary for each year of service. If the period of employment is less than one year, the employee receives an amount based on the time worked.

Traditional Law (contracts prior to January 1, 1991)

An amount equal to the average monthly salary during the last working year multiplied by the number of years of service must be credited to the employee's account; and upon leaving service for any reason, a lump sum settlement, including interest, must be paid to the employee.

This provision became effective as of 1963 and applies to all workers contracted prior to January 1, 1991.

As of January 1, 1991, rights under the previous system were transferred to a new private system of fully funded accounts.

Law 50/90 (contracts after January 1, 1991)

Beginning on January 1, 1991, a new system for providing severance pay became effective. Under the new system, employees' severance pay is managed by an AFP via a Severance Pay Fund. All workers who are employed after January 1, 1991 are covered under this new system; others may join voluntarily.

As of January 1992, in December of each year, the employer must pay on behalf of each employee, the amount of Cesantía (severance pay) accrued as an average monthly salary for that year. If the period of employment is less than one year, the employee receives an amount based on the time worked. This amount must be deposited into the administrative fund before February 15 of the following year. Thus, the employer is released from its responsibility.

For employees who had been working prior to January 1, 1991, and who didn't transfer to the new system, the employer continues to manage the severance pay program. On behalf of these employees, the employer must pay an annual interest payment in cash of 12% of the severance pay balance as of December 31 of each year. This interest must be paid no later than January 31st of the following year.

Law 50/90 allows employees to take partial withdrawals from their severance pay accounts for the following reasons:

- Higher education expenses for self, spouse, permanent companions and children
- Purchase or improvement of a house
- Payment of property tax
- Funds can also be pledged to guarantee housing loans

Labor Code

Termination Payments:

When it becomes necessary to discharge an employee, an indemnity is paid according to the following schedule:

A Termino Fijo (Definite Terminations)

For contracts having a specified duration, the value of the compensation corresponds to the remainder of time needed to fulfill the term stipulated in the work contract.

When the time is based upon the duration of a task, the compensation should be for no less than 15 days' wages.

A Termino Indefinido (Indefinite Terminations)

For contracts that do not have a predetermined duration, the compensation should be paid as follows:

<u>Period of Employment</u>	<u>Benefit</u>
Less than one year – more than 2 months:	45 days' pay
One year but less than five:	15 days' pay should be added to the 45 days' pay for each year of service after the first year.
Five years but less than ten:	20 days' pay should be added to the 45 days' pay for each year of service after the first year.
Ten years or more:*	40 days' pay should be added to the 45 days' pay for each year of service after the first year.

If the termination is justified and approved by the Labor Department (Ministerio de la Protección Social), no indemnity is required.

** When the employee has an indefinite term contract and has worked ten or more years prior to January 1991, he or she has the right to reintegration action. (Ten years of continuous service and if the dismissal has taken place without just cause.)*

For dismissal without just cause, employment reinstatement must be under the same conditions that the employee had previously, including payment of any lost wages. Or, as an alternative, and such a decision must be made by a judge, the employee would have the right to indemnification based on an additional 30 days of wages for each subsequent year after the first, as well as a proportional amount for service of less than one year.

Labor Code

Transportation Subsidy:

Employees less than two times the minimum monthly wage per month are entitled to receive a monthly transportation subsidy paid by the employer. Every year, the Government determines the amount and the basis on which the subsidy will apply. Effective January 2022, the transportation subsidy is COP 117,172 a month.

Family Subsidy:

All permanent employers are required to contribute 9% of monthly payroll (not including the transportation subsidy) to fund the "family subsidy".

The contribution is made to a "Caja de Compensación" based on the industry of the employer. Cajas de Compensación are non-profit entities supervised by the Superintendencia de Subsidio Familiar that were established to redistribute a portion of payroll for the benefit of employees affiliated with the Caja who are among the lowest paid.

Over the years, additional services and activities have been added, and the Cajas now comprise a varied group of organizations and programs that includes co-op facilities, education, recreation, healthcare, medical facilities, culture, tourism, programs for children, etc.

If there is no "Caja" for a particular industry, or if the employer cannot provide the above-mentioned services, the family of the employee is entitled to receive the subsidy in cash.

When the employer is not affiliated with a Caja, and the employee demands payment of this benefit, it is presumed that the cash subsidy due will equal double the highest subsidy amount payable, to a maximum of six times the minimum annual salary per family.

Of the 9% of payroll that the employer must contribute, 4% is retained by the Cajas for the family subsidy; 2% is for SENA, the national training service; and 3% is for ICBF, the Colombian Institute for Family Welfare.

Employers are not required to make contributions to SENA and ICBF for employees who earn less than 10 legal minimum monthly salaries.

Employees earning less than four times the minimum monthly salary receive a subsidy for each child under the age of 18 (age 23 if a student). If the child is disabled, there is no age limit. The allowance is doubled for children who are more than 60% disabled.

The benefit may be paid as either cash or in goods or services, depending on the fund. If one of the parents becomes deceased, the remaining parent or guardian will receive 12 monthly allowances. If the remaining parent or guardian dies, the child receives the 12 monthly allowances as a lump sum.

Employees can also receive the subsidy for parents 60 years of age or older who live with and are economically dependent on the employee and who do not receive wages, rent or pensions of their own. If the dependent is an invalid (at least 60%) or has a physical condition that prevents him or her from working, they can receive double the family subsidy without limitation in regard to age.

Other Benefits:

Footwear and Work Clothes

Three times a year, all employers must provide a pair of shoes and appropriate work clothes to employees whose wages are not greater than two minimum monthly wages and who have at least three months of continuous service with the employer.

In certain cases, safety equipment as well as work clothes and shoes must be provided by the employer.

Tax Considerations:

Type of Insurance	Contributions	Benefits
Group Life Insurance	<p>Employer:</p> <p>Employer contributions to Social Security and premiums paid by the employer for group health and life insurance are tax-deductible</p> <p>If companies provide life insurance to more than 80% of their employees, the value of the paid insurance premiums is tax deductible.</p>	<p>Employee:</p> <p>No taxes apply to payments from life and personal accident insurance policies.</p>
Group Disability Benefits	<p>Employer:</p> <p>Employer contributions to Social Security and premiums paid by the employer for group health and life insurance are tax-deductible</p>	<p>Employee:</p> <p>No taxes apply to payments from life and personal accident insurance policies.</p>
Group Medical Benefits	<p>Employer:</p> <p>Employer contributions to Social Security and premiums paid by the employer for group health and life insurance are tax-deductible</p> <p>Health insurance policies are taxed at 10% VAT.</p>	
	<p>Employee:</p> <p>Payments for health insurance premiums or prepaid medical plans are deductible up to a cap.</p>	
Pensions	<p>Employer:</p> <p>Employer contributions to Social Security and premiums paid by the employer for group health and life insurance are tax-deductible</p>	<p>Employee:</p> <p>Voluntary contributions to either compulsory or voluntary pensions are tax deductible up to 25% (30% including compulsory pension payments) of yearly income.</p> <p>Pension payments are tax exempt for employees whose salary does not exceed a certain amount.</p>

Sample Employee Benefit Plans

The plan can be adapted with regard to 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:	<p>Termination Base Income (TBL): The basic monthly wage based on the employee's average earnings during the ten years prior to retirement.</p>
Eligibility Requirements:	<p>55 Women, 60 Men</p> <p>1,150 weeks of contributions or enough capital for a life annuity over 110% of the monthly minimum wage.</p>
Level of Benefits:	<p><i>Old-Age Pension:</i></p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • Death of Pensioner: 100% of old-age pension • Death of Employee: Between 45% and 75% of the Termination Base Income <p><i>Permanent and Total Disability:</i></p> <ul style="list-style-type: none"> • 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

Sample Employee Benefit Plans

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:	<ul style="list-style-type: none"> • <i>Disability Pension:</i> Between 60% and 75% of the Termination Base Income • <i>Survivor Pension:</i> <ul style="list-style-type: none"> • 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:	<p>An amount equal to a multiple of monthly salary up to a maximum of COP 2,200,000,000.</p> <p>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.</p>
Employee Contribution:	50% (Contribution can be changed, or it can become totally the responsibility of the employer.)



Sample Employee Benefit Plans

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

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

Ministry of Labor	http://www.mintrabajo.gov.co/web/guest/inicio
Ministry of Health	https://www.minsalud.gov.co
National Superintendent of Health	https://www.supersalud.gov.co
Financial Superintendence of Colombia	https://www.superfinanciera.gov.co
Colombian National Superintendent of Health	http://www.supersalud.gov.co
Colpensiones	https://www.colpensiones.gov.co
Superintendent for Family Subsidies	http://www.ssf.gov.co
Demographic Information	https://www.cia.gov/the-world-factbook/countries/colombia/
Macro-Economic Indicators	https://www.cia.gov/the-world-factbook/countries/colombia/
For more information about Mapfre Seguros de Colombia S.A. , please visit:	http://www.mapfre.com.co <i>(Information available in Spanish.)</i>



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