



IGP Country Profile 2020

Mexico

Prepared by:
Seguros Monterrey New York Life





Preface

This Country Profile has been prepared by **Seguros Monterrey New York Life, S.A. de C.V.** 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 and territories worldwide and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston, our regional offices in Brussels, Singapore and Tokyo, 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.

IGP is managed by John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

The information contained in the IGP Country Profiles is considered proprietary and any material extracted from a profile must be attributed to IGP.

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



Table of Contents

YOUR LOCAL LINK TO IGP IN COUNTRY

Seguros Monterrey New York Life, S.A. de C.V.	4
---	---

CUSTOMARY PRIVATE EMPLOYEE BENEFITS & SOCIAL SECURITY BENEFITS

Introduction	5
Social Security Contribution Rates	6
Life Benefits	8
Disability Benefits	9
Survivor's Benefits	10
Medical Benefits	11
Retirement Benefits	13
Workman's Compensation	17
Childcare	18
Labor Law: Compulsory Employee Benefits	18
Social Provision	19
Cash Benefits	22
Savings Plans	22
Flexible Compensation Plans	23

TAXATION	24
----------	----

SAMPLE EMPLOYEE BENEFIT PLANS	25
-------------------------------	----

USEFUL LINKS	27
--------------	----



Your Local Link to IGP in Mexico: Seguros Monterrey New York Life, S.A. de C.V.

Seguros Monterrey New York Life, S.A. de C.V. The IGP Network Partner in Mexico

Seguros Monterrey, S.A., founded in 1940, is one of the leading life and health insurance companies in Mexico and the second largest in the individual life insurance market. Seguros Monterrey offers a broad range of products and services including comprehensive life, accident, and medical insurance. Seguros Monterrey has more than 40 offices located throughout Mexico and the largest insurance sales force in the country.

Seguros Monterrey introduced the concept of experience-rated health insurance to Mexico and founded the first company in Mexico established for the administration of health plans.

In January 2000, Seguros Monterrey became part of New York Life International, one of the largest providers of life insurance in the United States with over 160 years of experience. This merger has given Seguros Monterrey the opportunity to enhance its product line as well as continue its commitment to providing quality service to customers.

Seguros Monterrey New York Life, S.A. has been an IGP Network Partner since 1967

Key Products

Life

- Life
- Accident Riders
- Accidental Death and Dismemberment
- Permanent and Total Disability
- Optional Supplemental Life
-

Disability

- Waiver of Premium

Medical

- Hospital and Surgical
- Major Medical
- Maternity
- Administrative Services Only

Other

- Funeral Expenses

Seguros Monterrey is located on the internet at: <http://www.monterrey-newyorklife.com.mx>
(Information available in Spanish only.)

Social Security Benefits and Customary Private Employee Benefits

Introduction:

The Mexican Institute for Social Security (IMSS) was established in 1943 to administer to the health, social security and pension needs of the general public. A decentralized public agency with its own assets, IMSS was founded under the terms of Mexican Social Security Law, which is responsible for its organization and administration. IMSS is the largest social security institution in Latin America and covers the needs of almost 50 million Mexicans¹.

Social Security is mandatory for all persons in public or private employment and is provided either by IMSS or by the State Employees' Service and Social Security Institute (ISSSTE), as outlined in the 12th Article of the Social Security Law.

There are separate systems for government employees, bank and railroad employees, and employees of a government-run business (such as Pemex, the Government oil monopoly).

The benefits granted through IMSS are an important part of the benefits that all employees in Mexico receive. The basic Mexican Social Security System provides old-age, disability and survivors' pensions, funeral grants, maternity benefits and medical care.

Employers, employees, and the self-employed who voluntarily enroll with IMSS have to pay contributions.

The object of these contributions is to provide for social security. The basis of the contribution is the integrated daily salary² calculated by the number of days in a period.

In 2016, the Mexican government introduced a reference unit known as Unidad de Medida y Actualización (UMA) for calculating social security contributions and benefits based on the consumer price index. Previously, the legal minimum wage was used as the basis for these calculations.

The exception is that the UMA will not be used to calculate the minimum benefit amounts, because the Constitution states that no one can earn less than the minimum wage.

Value of UMA as of February 1, 2020:

Daily: MXP 86.88
Monthly: MXP 2,641.15
Annual: MXP 31,693.80

As of January 1, 2020, the value of the minimum daily salary was increased to MXP 123.22. In 2021, it will increase to MXP 141.70

In December 2018, the National Minimum Wage Commission (CONASAMI) created a new wage zone comprised of municipalities located 25 kilometers from Mexico's northern border and established a Border Minimum Wage for this area. As of January 1, 2021, the Border Minimum Wage is MXP 213.39.

¹ Hernández Rodríguez Jesus et Galindo Cosme Mónica, Practical Study of Social Security New Law, "Chapter I: Generalities".

² The integrated salary includes the bonuses and prizes given by the employer to the employee; however, the supermarket tickets are not included in the calculation.

Social Security Benefits and Customary Private Employee Benefits

Benefits and contributions are divided into six main categories:

1. Work-Related Risks (Workman's Compensation)
2. Health Benefits:
General illness, hospitalization, and maternity
3. Disability and Death
4. Pension Benefits:
Retirement, disability, death and termination indemnity for old age
5. Child Care
6. Old Age Benefits

Social Security Law
(Effective July 1, 1997)

The Mexican Congress passed a new Social Security Law that became effective on July 1, 1997. This follows the Chilean model. The effects of that law are described in the text that follows.

Social Security Contributions

Financing is through employer and employee contributions with a proportional subsidy by the Government. Contributions are calculated on the base salary, which includes cash payments for daily wages, food supplements, housing assistance, commissions, and any other amount paid or given to the employee as compensation for their work.

This base salary does not include tools or clothes for work, payments to The Employees' National Foundation for Housing (INFONAVIT), profit sharing (PTU), housing and food supplements if not free, punctuality and attendance prizes and overtime.

Beginning in 2017, contributions are based on units known as Unidad de Medida y Actualización (UMA) that are indexed each year to the Consumer Price Index. As of February 2019, the value of the UMA is MXP 84.49vper day.

Contributions are paid in the following proportions:

Employer:	70%
Employee:	25%
Government:	5%

The maximum monthly earnings used to calculate contributions for social security (social insurance and individual accounts) is limited to 25 times the daily UMA times the number of days in a specific month. Minimum earnings will continue to be based on the legal minimum wage (MXP 102.68 for 2019).

Contributions for the Complementary Pension Scheme (SAR) are only paid by the employer.

The maximum monthly earnings used to calculate contributions for social security (social insurance and individual accounts) is limited to 25 times the daily UMA times the number of days in a specific month. Minimum earnings are based on the legal minimum wage (MXP 102.68 for 2019).

Social Security Benefits and Customary Private Employee Benefits

Contribution amounts are reflected in the following table:

	Employer	Employee	Government
Old Age (AFORE)	3.15%	1.125%	0.225%
Complementary Pension Scheme (SAR)	2.0%	0%	0%
Survivor's and Disability	1.75%	0.625%	0.125%
Medical Care for Retirees	1.05%	0.375%	0.075%

Contributions are divided as follows:

	Old-Age and Complementary Pension Scheme	Survivors' and Disability
Employer	5.150%	1.750%
Employees	1.125%	0.625%
Government	0.225%	0.125%
Total	6.500%	2.500%

The following table shows contribution shares representative of employees with capped salary (twenty-five times minimum wage). Contributions paid by the employer depend on the company's risk classification.

Coverage	Employer	Employee	Total
Social Security (IMSS)	9.93% - 24.43%	2.73%	12.66% - 27.16%
Retirement Fund (SAR)	2.00%	0.00%	2.00%
Housing Fund (INFONAVIT)	5.00%	0.00%	5.00%
Total	16.93% - 31.43%	2.73%	19.66% - 34.16%

Sickness, Maternity, and Medical Insurance

The contribution rates limited to earnings up to 25 times the UMA for sickness, maternity, and medical insurance are as follows:

	For Salaries up to Three Times Minimum Wage	Over Three Times Minimum Wage
Employer	20.40%	1.10%
Employees	0.000%	0.40%
Government	13.25%	NCPI% (**)
Total	33.65%	1.50%

(**) This percentage has to be applied to the UMA.
The National Consumer Price Index (NCPI) is updated quarterly.

LIFE BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Death Benefits:</p> <p><i>Eligibility</i></p> <p>The deceased has 150 weeks of contributions, or the deceased was a pensioner at the time of death.</p> <p><i>Widows:</i></p> <p>A survivors' pension is payable if the insured had 150 weeks of contributions or was a pensioner at death. Widow's pension is 90% of Old-Age Pension (OAP). If a widow remarries, a lump-sum equal to three years of the insured's OAP is paid. Orphans receive a pension of 20% of insured's pension for each orphan under age 16 to 25 (age 25 if he or she is still a student or an invalid), or 30% if a full orphan.</p> <p>If there is not an eligible spouse, concubine or orphan, each parent of the insured can receive 20% of the insured's pension up to a maximum of 100% of the widow's and orphans' benefits combined.</p> <p><i>Orphans:</i></p> <p>20% of the insured's pension for each orphan under age 16 (age 25 if student or invalid) and 30% if full orphan.</p> <p><i>Parents:</i></p> <p>20% of the insured's pension for each parent (if no eligible spouse, concubine or orphan).</p> <p><i>Funeral Grant:</i></p> <p>A lump sum equal to two months' minimum salary or pension.</p>	<p>Benefits</p> <p>Death benefits provided by Social Security (survivors' pensions and funeral grants) are adequate overall, but they do not provide a sufficient lump sum benefit at the time of death to assist the employee's survivors in dealing with immediate bills and normal expenses.</p> <p>As a result, most employers in Mexico provide group life insurance for their employees, providing a multiple of the monthly salary (most often 12, 24 or 36) as a lump sum death benefit or a fixed sum expressed in Mexican pesos.</p> <p>Approximately two-thirds of the group life insurance plans in Mexico include either a companion accidental death & dismemberment benefit or a provision for payment of the death benefit to the insured if they become permanently and totally disabled.</p>

DISABILITY BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p><i>Eligibility</i></p> <p>50% reduction in customary earning capacity based on his or her profession or occupation and with 52 weeks of contributions. Only 150 weeks of contributions if the person is 75% disabled according to Social Security regulations. Old-Age Pension equivalency is payable.</p> <p><i>Benefits</i></p> <p>These are determined in the same way as the retirement benefit.</p>	<p>This benefit is becoming more popular. The coverage is a rider to the Group Life Insurance Plan and is available in two options:</p> <ol style="list-style-type: none"> 1. Waiver of premium for total and permanent disability: If disability occurs, an individual life annuity policy is offered to the employee only for the basic coverage, with the same sum insured he or she had in the group life policy, with no further premium payments. 2. Lump sum for total and permanent disability: The life insurance benefit is paid at the time the disability is declared.



Social Security Benefits and Customary Private Employee Benefits

SURVIVORS' BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<i>Please see Life Benefits.</i>	<i>Please see Life Benefits.</i>

MEDICAL BENEFITS							
Social Security Benefits	Customary Private Employee Benefits						
<p>Eligibility</p> <p><i>Non-Occupational Accident and Sickness:</i></p> <p>Four weeks of contributions immediately prior to the onset of the accident or illness.</p> <p><i>Maternity</i></p> <p>30 weeks of covered employment during the last 12 months prior to the date the benefit payments begin.</p> <p><u>Covered Group</u> The insured, the spouse or concubine who has lived with the insured for at least 5 years or has had children, any child under age 16 or 25 if a student, and parents if economically dependent.</p> <p>Benefits</p> <p><i>Income Replacement</i></p> <p>60% of the insured's most recent daily contribution wage on which his or her Social Security contributions were based shall be paid at the end of periods not exceeding one week, directly to the insured person or to a duly accredited representative payee.</p> <p>The maximum daily benefit is 60% of the employee's eligible monthly earnings up to twenty-five times the minimum daily wage.</p> <p>The benefit is payable for 52 weeks, after a 3-day waiting period and can be extended for 26 additional weeks under special circumstances.</p> <p><i>Hospital Medical</i></p> <p>Free health care is available through Social Security facilities for all insured workers and their dependents and for all pensioners and their dependents.</p> <p>They are entitled to care from the date illness commences, and the benefit is normally payable for 52 weeks. Covered services include general and specialist care, hospitalization (including maternity benefits), prescription drugs and dental care.</p> <p>This includes general and specialist care, surgery, hospitalization or care in a convalescent home, medicines, dental care, prosthetic devices, laboratory services and appliances.</p> <p>Normally, benefits are payable for up to 52 weeks but can be extended up to 104 weeks if recovery is likely during the extended period for any single illness.</p>	<p>Group health insurance is usually provided for salaried employees. In some cases, dependents may be included. The plan structure follows a design that most employers in the United States are familiar with; e.g., a deductible, coinsurance, and a maximum benefit (sum insured) per event or illness per participant.</p> <p>New comprehensive medical plans may provide an insured sum of between MXP 500,000 to MXP 1,000,000 or more, or may be based on a multiple of the monthly minimum wage. The deductible sum varies from one to three times the monthly minimum wage payable by the employee. The coinsurance varies from 10% to 20% payable by the employee.</p> <p>Many of the supervisory and management employees prefer to pay their own expenses and go to private institutions rather than to Social Security facilities because there are often delays involved prior to admission, especially in Mexico City.</p> <p><i>A typical medical plan is as follows:</i></p> <table style="width: 100%; border: none;"> <tr> <td style="padding: 5px;">Insured Sum:</td> <td style="padding: 5px;">500 times the monthly minimum wage per illness</td> </tr> <tr> <td style="padding: 5px;">Deductible Sum:</td> <td style="padding: 5px;">One times the monthly minimum wage per illness</td> </tr> <tr> <td style="padding: 5px;">Coinsurance:</td> <td style="padding: 5px;">10% per claim</td> </tr> </table> <p>Deductible and coinsurance do not apply in the event of an accident, as long as the expense exceeds the deductible.</p> <p>Cesarean birth and normal birth are covered up to an average of twenty times the monthly minimum wage.</p> <p>Medical coverage in Mexico is typically provided on a reimbursement basis. However, some brokers and insurance companies have introduced agreements with various hospitals and physicians in order to offer cheaper services and direct payment by the insurer.</p> <p>Seguros Monterrey offers direct payment medical plans through its medical provider with a network of doctors, medical suppliers, and major hospitals available in many of Mexico's cities, as well as some abroad.</p>	Insured Sum:	500 times the monthly minimum wage per illness	Deductible Sum:	One times the monthly minimum wage per illness	Coinsurance:	10% per claim
Insured Sum:	500 times the monthly minimum wage per illness						
Deductible Sum:	One times the monthly minimum wage per illness						
Coinsurance:	10% per claim						



Social Security Benefits and Customary Private Employee Benefits

Maternity Benefit:

100% of most recent daily contribution wage, payable for 42 days before and 42 days after confinement.

IMSS shall provide the following maternity benefits to women during pregnancy, confinement and postpartum:

- Obstetrical care
- Obstetrical assistance: six months of any kind of assistance for nursing mothers
- A layette is provided

RETIREMENT BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Eligibility</p> <p>Age 65 and 750 weeks of contributions (75-95% of full pension payable at age 60-64 if employee retires early).</p> <p>Benefits</p> <p><i>Note</i> For employees who began working prior to January 1, 1997, the Government guarantees the option to choose between the old and new law; i.e., whichever is the most advantageous for the employee. The new law was effective on July 1, 1997.</p> <p>Pensions consist of a basic amount that is determined by the average daily salary for the last 250 weeks of contributions as a multiple of the daily UMA plus an annual increase for each year that exceeds the first 500 weeks (10 years) of contributions. However, if the contribution period exceeding 500 weeks is equal to 26 weeks or less, only 50% of the increment is paid.</p> <p>The maximum monthly old-age social security pension is 25 times the monthly UMA. The minimum pension continues to be the legal minimum wage.</p> <p>The government provides a guaranteed minimum pension to those who have not acquired sufficient funds for a life annuity. The minimum guaranteed pension is equivalent to a 1997 minimum wage value indexed to the Consumer Price Index.</p> <p>The benefit is limited to 100% of average covered earnings.</p> <ul style="list-style-type: none"> a) <u>Wife's Supplement</u>: 15% of pension. b) <u>Child's Supplement</u>: 10% of pension for each child below age 16; age 25 if student or invalid. c) <u>Parent's Supplement</u>: If the employee has no spouse or child entitled to a supplement, 10% of the pension for each parent, if economically dependent on the employee. d) <u>Employee's Supplement</u>: If no supplement is being paid for a spouse, child or parent, the employee is entitled to a pension supplement of 15%. e) <u>Maximum Pension</u>: 100% of the pension salary, regardless of the number of contributions. <i>See above for more information.</i> f) <u>Guaranteed Minimum Pension</u>: Equal to one monthly minimum wage. This pension will be increased every time that the minimum wage increases and by the same rate. g) <u>Early Retirement</u>: A reduction factor of 5% for each year under age 65 is applied to the Normal Retirement Pension that would have been granted at age 65, as shown in the following table: 	<p>Although an old-age benefit is provided by Social Security, employers must still decide whether to establish a defined old-age personnel termination policy. If they do so, provisions have to fund the corresponding liability.</p> <p>The legal severance indemnity may be funded by means of a pension plan granting benefits equivalent to the liability (unit credit pensions ranging between 1.0% and 1.5% per year). It is also very common to provide supplemental pensions for higher paid employees whose Social Security old-age pension will not compensate them adequately.</p> <p>Old-age pensions in Mexico are normally placed in a bank in the form of a trust known as "Fideicomiso". Professional actuarial services are usually contracted with a brokerage firm, and the bank does the financing. It is not customary to use insurance for old-age pensions in Mexico, but since 1993, it is possible to invest funds in "Fideicomisos" managed by insurance companies.</p> <p>On February 24, 1992, Mexico's Congress passed a law that established a complementary pension scheme to supplement Social Security. This scheme is called "Sistema de Ahorro para el Retiro" (SAR).</p> <p>AFORES</p> <p>On April 19, 1996, the Social Security law privatized the old-age pension program.</p> <p>Since July 1, 1997, the old-age pension is administered on a defined contribution basis following the Chilean model. These privately administered pension funds are called "<i>Administradoras de Fondos de Retiro</i>" (<i>Retirement Funds Administration Companies</i>) or AFORES.</p> <p>Individual capitalization accounts are designed to cover unemployment after age 60, normal retirement (age 65), and an old-age benefit. Funds formerly held in SAR accounts have been absorbed by the new program and combined with contributions from employees.</p> <p>The employer continues to play a major role in funding individual capitalization accounts provided by this Mexican reform. Employers must continue to pay the SAR contributions but are spared former old-age and disability payroll taxes.</p> <p>Capitalization accounts will be managed by competing for-profit management companies (AFORES). Management companies will be, as usual in any privatization program, under close government control when referring to operations and fund investments.</p>

Age	% of the Normal Retirement (Age 65)
60	75%
61	80%
62	85%
63	90%
64	95%
65	100%
Age	% of the Normal Retirement (Age 65)
60	75%

Pension account owners are free to choose the AFORE that they would like to work with and are free to switch from one AFORE to another once a year.

AFORES in Mexico are a consequence of the necessity of generating long-term internal savings to constitute a strong financial system. The objective of AFORES is to create an individual plan that replaces the preceding collective plan.

AFORES administer individual employees' accounts, investing these funds in SIEFORES, which operate as investment agents looking for appropriate instruments in which to invest employees' money.

Benefits offered by AFORES are:

- Future security
- Maintenance, as far as possible, of the same living standard the employee had prior to retirement
- Freedom to choose any AFORE
- Opportunity to make voluntary deposits

Main differences between the prior system and AFORE are:

Prior System	AFORE
The government invests resources with low profits.	The employee chooses the AFORE where funds will be invested at higher rates.
The employee makes additional deposits.	The employee makes voluntary deposits to increase savings.
General Fund Administration	Individual Account
The employer receives employee's information.	Employee receives information directly by personal mail.
The Government will continue paying retired employees pensions with the corresponding monthly minimum wage increase.	Employee Plan Pension – retirement pensions increase by investment earnings and any voluntary deposits.
Employee is not able to increase the benefits.	Employees can increase their account through voluntary savings. Additional contributions can be made for individual accounts, applying tax deductibility up to twenty-five times the monthly minimum wage.

Complementary Pension Scheme (SAR)

On February 24, 1992, the Mexican Congress passed a law establishing a complementary pension scheme to supplement Social Security. That scheme is called "Sistema de Ahorro para el Retiro" (SAR), and it came into force on May 1, 1992.

Employer contributions are tax-deductible, and tax is not levied on the interest earned by individual accounts.

One point of this law concerns the housing fund administered by Mexico's housing agency (INFONAVIT). The Institute of National Fund for Housing (INFONAVIT) was established in 1972 with the objective of having a fund for employees to obtain credit at low cost for acquiring housing. Employers had been paying 5% of monthly basic salary into INFONAVIT since 1972.

Since 1992, 5% of an employee's base salary³ up to ten times the minimum wage, and in actuality, twenty-five times the minimum wage continues to be paid into INFONAVIT. But now personal housing funds have been established, and employees receive reports itemizing their current accumulated credits.

The employer decides into which credit institution the funds are placed, and an individual account is available for each employee. (These individual accounts have two sub-accounts, one for the SAR pension scheme, and the other corresponding to the INFONAVIT housing scheme).

Balances are adjusted periodically in accordance with the National Consumer Price Index published by the Bank of Mexico (Banxico) and, initially with an earned annual rate of interest, fixed by the Financial Ministry (SHCP). This is of 2% or more in real terms, payable monthly. Employers were obligated to establish these individual accounts by May 2, 1992. Firms with less than 100 employees were given an extension until July 1, 1992 to open accounts for their employees.

While the employer's deposits must always be placed in a bank, since January 1, 1993, the employee has had the option of transferring his or her funds to an alternative investment fund offered by another bank, a holding company, a stock brokerage firm or an insurance company. The Financial Ministry (SHCP) must approve these alternative funds.

Once the retirement is effective, the employee may withdraw his or her funds plus interest or may elect to purchase an annuity. The same options are available upon total and permanent disability or permanent partial disability greater than 50%, or to the employee's beneficiary in the event of death. Employees may withdraw up to 10% of their savings in the case of

³ Base salary includes cash payments for daily wages, food supplements, housing help, premiums, commissions, and any other amount paid or given to the employee for their services. It does not include tools or clothes for work, savings if the contributions are the same amount for the employer and employee, payments to The Employees National Foundation for Housing, profit sharing, housing and food supplements if not free, punctuality and attendance prizes, and overtime.

Social Security Benefits and Customary Private Employee Benefits

unemployment, and the same amount is available as an alternative resource for a disabled employee who has depleted all other disability allowances and is not eligible for the permanent total or permanent partial disability benefit described above.

There is no limit on the amount of voluntary employee contributions. However, the employee has a tax deduction on voluntary contributions provided that the total of the voluntary contributions, plus any employer contribution to an employee savings plan, does not exceed ten times the minimum wage.

The new complementary pension scheme is expected to improve the economic situation in Mexico.



Social Security Benefits and Customary Private Employee Benefits

Workman's Compensation (Work-Related Accidents or Illness)

Coverage:

This includes medical and surgical attention, medicines, and hospitalization services. There is no minimum qualifying period for eligibility. Coverage also is provided for accidents that occur while commuting to and from the workplace.

Contributions:

Under the new law, contributions are considered to be a percentage of the base contribution salary (the same as used for Social Security contributions), which is determined for existing employers based on the average percentage according to their loss ratio experience. For new employers, contributions are determined according to five degrees of risk classification. The average percentage goes from 0.54355% to 7.58875%.

Benefits:

Temporary Disability Benefit:

The benefit is paid from the first day of disability and is equal to 100% of the employee's salary prior to the disability. Employers pay 100% of salary for the first three days, and then the benefit is provided by IMSS. If the disability is due to illness, the employer pays 100% for the first three days, then IMSS will pay 60% of salary with the employer making up the 40% difference. The benefit is payable for up to 52 weeks or until either the employee resumes work, or the disability is declared to be permanent.

Partial and Permanent Disability:

Social Security will pay a benefit in accordance with a schedule outlined in the Federal Labor Law, considering as a reference, the amount that would be payable for total and permanent disability.

Total and Permanent Disability:

A monthly annuity is payable for life equal to 70% of covered salary.

Death:

Social Security will provide a pension for the employee's survivors as follows:

- Widows:
 - 40% of the employee's total and permanent disability benefit.
- Orphans:
 - 20% of the insured pension for each orphan under age 16 (age 25 if student or invalid) and 30% if full orphan; no time limit applies if the orphan is an invalid.
- Parents or Grandparents:
 - 20% of the insured pension, payable when there is no widow, children, or concubine with pension rights.
- Funeral Grant:
 - A lump sum equal to two months of the worker's salary or pension.



Social Security Benefits and Customary Private Employee Benefits

Retirement Benefits:

The employee will not pay taxes for this income if it does not exceed 9 times the eligible monthly earnings.

Payments for Risks and Illness:

The employee will not pay taxes on this income and will receive it in accordance with the law and the labor contract.

Childcare

The Childcare Service Centers provide meals, health services, education, and recreation facilities for the employee's children. The services are offered to children from 43 days after birth up to 4 years of age. The premium for this service is 1% of total employee contributory earnings and is paid by the employer.

Labor Law: Compulsory Employee Benefits

In addition to the Social Security benefits described above, employees are entitled by the Labor Law to direct monetary benefits classified in three groups as follows.

Profit Sharing (PTU):

Each employee is entitled to participate in the profits of the company in which they work. Firms are required to distribute annually to employees a portion of profits amounting to 10% of the firm's net taxable income in accordance with a prescribed formula.

Termination Indemnities (Constitutional):

Severance Pay

The Labor Law prohibits an employer from forcing an employee to retire simply for the fact of reaching a certain age. It also prohibits the termination of employment against an employee's will for any reason other than a "justified cause" such as dishonesty, immorality, violence, alcoholism or drug addiction.

Termination Benefits

If an employer terminates an employment relationship against an employee's will and without a "justified cause", the Labor Law requires the employer to pay the "Termination Benefit", which is equal to three months of salary plus twenty days of salary for each year of service (Art. 50, Labor Law).

Seniority Benefits:

The Seniority Benefits is a "bonus" given to employees who work for an employer for 15 years or longer. The bonus is equal to 12 day's salary for each year of work. This salary cannot be more than twice the eligible minimum daily wage.

According to the provisions of the 1970 Labor Law, an employee may resign voluntarily after fifteen years of service and still be entitled to 12 days of salary for each year of covered service.

When an employee is dismissed, whatever the cause, he or she has the right to the same benefit, but only as far back as 1970.

Social Security Benefits and Customary Private Employee Benefits

In case of death, the seniority benefit will be paid to the employee's beneficiaries (Art. 501, Labor Law).

When an employee retires, the seniority benefit is effective as soon as he or she begins to receive a pension.

The employee will not pay taxes on the retirement or seniority benefit payment if it does not exceed nine times the eligible minimum wage.

Christmas Bonus:

This is a compulsory annual bonus payment given to all employees at Christmas. The amount of this bonus is equal to fifteen days of salary for all employees with at least one year of service. For employees with less than one year of service, the calculation is made on a pro-rata basis.

Social Provision

The Social Provision refers to the expenses for medical and hospital services, retirement, death, disability services, educational subsidies due to incapacity, scholarships for employees or their children, daycare centers, or cultural and sporting activities, and others of a similar nature.

Social Provision Grant	Deduction for the Employee Article (Fraction 109):
Retirement	III
Death	IV
Total disability	III
Medical and hospital services	IV
Subsidy for temporary disability	II
Scholarships for employees or their children	VI*
Savings fund	VIII
Childcare	VI*
Sports and cultural activities	VI*
Other related to the ones named	VI*

*Note: (*) Means that this income is non-taxable revenue. The rest will not be taxable except in the case in which those grants are considered general ones in the social provision plan of the company.*

The company's social provision plan must have the following requisites:

- a) The grants must be given in national territory; the only exception is when the employee performs activities abroad. Grants must be in relation to the employee's income.
- b) Grants must be given to employees, or the spouse or the person who lived with the employee, or any predecessors or descendants. Recipients of such grants should be economically dependent on the employee.

Elements of the company's social provision plan:

- a) The plan must be a written one, so that it is kept as evidence of the grants given to employees in general. This requirement is a protection for both the employer and the employee.
- b) The date the plan begins must be referenced. Employees have to be notified about the plan as well, at least one month after it begins. The period of coverage has to be outlined.

Social Security Benefits and Customary Private Employee Benefits

- c) The plan must show the number of participants. Once the plan is enrolled, it must be formed with at least 75% of the participants' contributions.
- d) The persons who will benefit from these grants shall be named, because it can be provided not only to the employee but also to the spouse, children, predecessors or descendants.
- e) The plan objectives must be stated; i.e., goals that the company wants to achieve.
- f) Rules of the plan
- g) Function of the plan

Payment for incapacity (first three days and 40% thereafter)

Payment for retirement, up to nine times the minimum wage⁴

Payment for medical, dental, hospital, and funeral expenses

Savings Fund: Contributions must not exceed 13% of the employee's salary and said contributions must not be over ten times the minimum wage. The employee can only do one withdrawal per year from these contributions. The objective of the fund is to give financial loans to employees. The amount that is not used is invested in Treasury Bonds or other commercial titles.

Scholarships for employees and their children are only deductible if there is no conflict of interest while working for the company.

Child daycare is 1% of the employee's salary and is paid by the employer. Daycare places are mainly IMSS childcare buildings or a building provided by the same company.

Cultural activities: According to the employee's interest.

Sporting activities: According to the employee's interest.

Other expenses related to the above.

Some of these benefits can be chosen, such as scholarships, cultural activities and sporting activities. Payments for incapacity and childcare are compulsory.

⁴ Income Law Article 109, Fraction III

Deposit for Social Housing System and Other Social Security Institutes:

For any deposit to the Social Housing System (INFONAVIT), the employee will not pay any tax. The employee will not pay any tax when receiving a house from the Social Housing System.

Savings Funds:

- a) Any deposit to the employee's savings account can be deductible if it qualifies by law.
- b) The deposit does not exceed 13% of the employee's salary.
- c) If there is one annual withdrawal or if the labor contract is terminated.
- d) The fund must be available for loans to employees.
- e) The excess will be invested in Treasury Bonds or fixed interest investments or Public Titles.
- f) All the deposits to savings accounts come from the employees.

Deposits for the Employee's Social Security Paid by the Employer:

- a) Deposits to the Public Health Institute (IMSS) on behalf of employees who earn minimum salary and are paid by the employer.⁵
- b) Deposits made to the Public Health Institute (IMSS) on behalf of other employees.
- c) Deposits to the Public Health Institute (IMSS) paid by employees who earn more than the minimum salary.

Indemnities When Contract Between Employee and Employer Terminates:

Up to ninety times the minimum wage. For work compensation, the employee will receive money according to the following:

- Time of work
 - Retirement money
 - Indemnities
 - Payment for termination
 - Withdrawal of sub-accounts of the pension system and others
 - Withdrawal of individual savings account
- a) Annual grant up to thirty days of minimum salary
 - b) Holiday money up to fifteen days of minimum salary
 - c) Employee's participation in earnings (PTU) up to fifteen days of minimum salary
 - d) Sunday grants up to one day of minimum salary for every Sunday worked

⁵ The Labor Law states that the employer, the employee and the public health institute (IMSS) have to deposit money for the social security fund of the employee. The only time that only the employer and the Public Health Institute would deposit money is when an employee earns the minimum salary.



Social Security Benefits and Customary Private Employee Benefits

Cash Benefits

According to Income Tax Law, company contributions to social welfare benefits are tax deductible. Social welfare benefits include: savings funds, scholarships for the employee or the employee's children, medical or funeral expenses, as well as those for daycare centers, cultural and sporting activities.

Unlike the pension plan, which offers a long-term benefit, the savings fund and flexible compensation plan represents the only possibility of a direct, short-term benefit for personnel. This benefit is deductible for the company and is not added to the recipient's income for tax purposes.

These conditions are particularly important in view of the high rates of personal taxes on salaries, especially for executives.

Objectives of a savings fund and flexible compensation are to:

- Promote savings by employees
- Provide a short-term benefit
- Increase the employee's take-home-pay with no additional cost for the company

These benefits must be given, in general terms, to all the personnel. However, there may be a distinction between white and blue-collar employees, types of unions or different labor risks.

Savings Plans

Companies are using savings plans as a vehicle to grant a tax-free salary increase. The maximum contribution is 13% of an employee's salary up to ten times the minimum salary. The employee may borrow up to 100% of the assets in their account tax-free at a very low interest rate. Company contributions are free of Social Security and housing and education taxes; this typically represents a savings of 2.3% of payroll for the company and additional income of up to 5% for the employee.

To satisfy tax law regulations, a savings plan must meet the following requirements:

- a) The amount of the company contributions cannot exceed 13% of each employee's salary. The maximum salary to be considered is ten times the minimum salary.
- b) Contributions can be withdrawn by the employee only once a year or when employment is terminated.
- c) Assets must be used to provide loans to employees, and the remainder must be invested in approved securities.

All income an employee receives from a savings plan is tax-free. Therefore, employees may borrow up to 100% of their assets every payday at a very low interest rate without adding this amount to their taxable income.

The above-mentioned mechanism is frequently used to grant a salary increase to employees free of taxes.

Company contributions will not be considered as a salary for Social Security or tax purposes. This can represent a payroll savings of 2.3% for the company and an additional income of up to 5% for the employee.



Social Security Benefits and Customary Private Employee Benefits

Flexible Compensation Plans

The tax law allows companies to provide income to employees that can be used on a tax-free basis for certain social welfare items such as educational expenses, child care, cultural and athletic expenses.

Typically, 10% of an employee's salary is set aside in a flexible compensation account that the employee can use during the year. At the end of the year, the remaining amount is added to the employee's normal salary for tax purposes.

The company can deduct its entire contribution with a potential tax savings to the company of about 1.8% of payroll.

Income provided for education, child-care, cultural and athletic expenses, and others of a similar nature (such as food supplies), are tax-exempt up to an amount equal to seven times the minimum monthly salary.

Income provided as a benefit for death and disability, as well as medical and hospital services, is tax-free (with no limitation).

A flexible compensation plan is also an alternative to a salary increase in which the employee may use a percentage of his/her salary, normally 10%, for social welfare expenses. Included in this flexible compensation are: tuition for the employee or employee's children, school supplies and books, dental and cultural expenses, sporting club fees, etc. Usually, the employee presents receipts of such expenses to the employer, who then reimburses him or her.

This benefit also provides a short-term increase of purchasing power for the employee of up to 4%.

Tax Considerations

Type of Insurance	Employee Contributions	Employer Contributions
Group Life Insurance	Employee contributions are not tax deductible.	100% Deductible
Group Medical Benefits	Up to 10% or 4 Times Annual Minimum Wage	100% Deductible

Sample Employee Benefit Plans

Group Life Insurance	Automotive	Pharmaceutical
Eligibility	All employees	All employees
Death Benefit	Based on employee seniority from 17 to 36 times monthly salary	An amount equal to 36 times monthly salary
Accidental Death and Dismemberment	An amount equal to Death Benefit	An amount equal to Death Benefit
Permanent and Total Disability	An amount equal to Death Benefit	An amount equal to Death Benefit
Employee Contribution	None	None
Waiver of Premium	Covered	Covered

Group Health Insurance	Automotive	Pharmaceutical
Eligibility	All employees and their dependents	All employees and their dependents
Maximum Insured Sum (per event)	MXP 220,000	MXP 1,000,000
Deductible	MXP 500	2 TMMW*
Coinsurance	20% up to MXP 50,000 per event	10% up to MXP 50,000 per event
Maternity: Normal Delivery Cesarean Multiple Births Miscarriages	MXP 10,000 MXP 18,000 MXP 18,000 MXP 10,000	MXP 22,000 MXP 22,000 MXP 22,000 MXP up to the Sum Insured
Emergency Overseas	Sum Insured: USD 50,000 USD 50 deductible 20% coinsurance	Sum Insured: USD 100,000 USD 100 deductible 10% coinsurance
Overseas Coverage	Sum Insured: MXP 220,000; MXP 500 deductible 20% coinsurance	Not Covered, mainly just for directors
Employee Contribution	None	None

*TMMW: times monthly minimum wage

Sample Employee Benefit Plans

Group Life Insurance	Computer	Chemical
Eligibility	All full-time employees	All union and non-union employees
Death Benefit	24 times monthly salary	Union employees: 22 times monthly salary Non-Union employees: 24 times monthly salary
Accidental Death and Dismemberment	A lump sum equal to Death Benefit	For both Categories, a lump sum equal to Death Benefit
Permanent and Total Disability	A lump sum equal to Death Benefit	For both Categories, a lump sum equal to Death Benefit
Employee Contribution	None	None
Waiver of Premium	A lump sum equal to Death Benefit	For both Categories, a lump sum equal to Death Benefit

Group Health Insurance	Computer	Chemical
Eligibility	All full-time employees and their dependents	All employees and their dependents
Maximum Insured Sum (per event)	350 TMMW *	317 TMMW *
Deductible	1 TMMW *	1 TMMW *
Coinsurance	10% up to MXP 100,000 per event	10% up to MXP 100,000 per event
Maternity: Normal Delivery Cesarean Multiple Births Miscarriages	MXP 20,000 18 TMMW * MXP 20,000 MXP up to the Sum Insured	MXP 20,000 18 TMMW * MXP 20,000 MXP up to the Sum Insured
Emergency Overseas	Insured Sum: USD 50,000 USD 50 deductible 20% coinsurance	Insured Sum: USD 50,000 USD 50 deductible 20% coinsurance
Overseas Coverage	Not Covered	Not Covered, mainly just for directors.
Employee Contribution	None	None

*TMMW: times monthly minimum wage

Useful Links

Mexican Institute for Social Security (IMSS)	http://www.imss.gob.mx/
Bank of Mexico	http://www.banxico.gob.mx
Ministry of Finance and Public Credit	http://www.shcp.gob.mx
Tax Administration Service	http://www.sat.gob.mx
Mexican Federal Institute for Worker's Housing (INFONAVIT)	https://portalmx.infonavit.org.mx
Demographic information	CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/
Macro-Economic indicators	CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/
For more information on Seguros Monterrey , please visit:	http://www.monterrey-newyorklife.com.mx



The information in this document is subject to change. Please contact your IGP Account Executive or IGPinfo@jhancock.com for more details.

The International Group Program (IGP) is a registered brand name under John Hancock. IGP operates in the State of New York under Signator Insurance Agency, Inc., a NY licensed broker.

IGP has provided the website address of our Network Partners for your convenience. John Hancock is not responsible for the content or accuracy of our Network Partners' web-site(s).

IGP Network Partners operating outside of the United States are not necessarily licensed in or authorized to conduct insurance business in any state in the United States including, the State of New York. The policies and/or contracts issued by a Network Partner to contract holders outside of the United States have not been approved by the NY superintendent of Financial Services, are not protected by the NY State guaranty fund and are not subject to the laws of NY or the laws and/or protections of any other state where the Network Partner is not licensed to do business.

© International Group Program - www.igpinfo.com