Regional Panel Presentation:
Latin America

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Key Topics

- Background Information
- Country Highlights
- Tips
- Contact Details
Background Information

**Latin America 2000**

Population: 513M

GDP: $2,111,000

Political system: young democracies

Life expectancy: 73 W 67 M

Unemployment: 8.5%

Inflation: 5%, 20% and 100%

Leading trade partner: USA

Sources:
http://books.google.com/books?id=x0n9XTlljesC&pg=PT37&dq=life+expectancy+for+latin+america+in+2000,
http://globalministries.org/lac/countries/,
http://gisweb.ciat.cgiar.org/population/
Background Information

Latin America 2013

Population: 581M (+14%)

GDP: 5,344,000 (+150%)

Political system: immature democracies

Life expectancy: 74 W 68 M (+1 year)

Unemployment: 6.2% (-2.3 points)

Inflation: average 10.7% (5-6%)

Leading trade partner: China

Background Information

Changes

**BRAZIL**
- Street demonstrations

**ARGENTINA**
- New opportunities?

**VENEZUELA**
- Changes in Chavismo

**CHILE**
- Michelle Bachelet returns to power

**MEXICO**
- Downpour of Reforms

**COLOMBIA**
- Santos power grab in the name of peace
Key Topics

Background Information

Country Highlights

Tips

Contact Details
Tequila, tabasco and chihuahuas are all named after places here.
Country Highlights

Mexico

- **Annual bonus**: 15 salary days. Taxable. Market enhances benefit to 30 days, and a few to 45 and 60.
- **Vacations**: 6 to 22 working days.
- **Vouchers**: tax free up to a cap.
- **Company car**: very prevalent for managers and above.
- **Profit Sharing**: 10% of profit to be distributed among 100% of the employees, regardless performance or merit.
- **Saving funds**: tax free, one year term, employer sponsored fund to incentive employees to save money. 1/1 match. Administered by financial institutions.
- **Cell phones** very prevalent for managers and above.
- **Transportation**: not prevalent. Only certain industries and locations.
- **Long Term Incentives**: limited.
Country Highlights

Mexico

Life & Disability:

- Benefit is 2x to 3x annual salaries.
- All riders bundled in a single contract.
- 100% employer paid.
- High local dividends prevent Mexico to join multinational pools.
- Less than 1,000 lives: no pooling and no dividend.
- Aggressive par policies are capturing the market.
- Life and Medical are usually marketed and placed together in the same carrier.
Country Highlights

Mexico

Retirement:

✓ Mandatory employer and employee contributions to AFORE system (individual capitalization accounts) that is solid and robust.

✓ Replacement ratio is expected to be low for high earners.

✓ DB plans are the most prevalent plans. Benefit is to offset seniority premium and severance indemnity liabilities. In recent years, DC and Hybrid plans are becoming popular and replacing DB.

✓ Employee and employer have tax advantages (contributions and benefits; now capped to a low limit). Annual fiscal valuation has to be done and past services have to be funded in at least 10 years.

✓ Trust is required and investments have to be done in Mexico but international vehicles are possible if registered locally.
Country Highlights

Mexico

Medical:

- HMO medical coverage provided by the SSS is substituted by PMI plans for both white and - many times - blue collars. Contributions made to SSS are lost. PMI is a second (or double) cost.
- PMI coverage is highly customizable.
- Fully insured and ASO. Mostly PPO.
- Basic plan and Annual Stop Loss.
- Flex, Preventative medicine and Wellness plans are growing.
- Life and Medical usually marketed and placed together with the same carrier.
Country Highlights

Mexico

Trends and Particularities:

- The trend continues to focus on total rewards models (compensation & benefits) and their communication as a total package for better benefit appreciation.

- Wellbeing programs to mitigate medical risk. High incidence of obesity, diabetes, and hypertension coupled with stress, insomnia and depression.

- Cash Benefits will be deductible up to a maximum of 53% of the employer’s cost/contribution on the portion of benefits tax exempt for employees, and 100% deductible over taxable portion of benefits.

- Company car benefit in Mexico is one of the most appreciated benefits amongst executive levels.

- Most “internationalized” market: main vendors are: MetLife, GNP, Atlas, Zurich, Banorte, Allianz, Inbursa, Monterrey NYL.

- Behind in Preventive Medicine and public health.
Atacama desert, in the north part of this country, is one of the driest places in the world. In 1971 it rained there for the first time in four centuries.
Country Highlights

Chile

- **Annual bonus**: not mandatory but very prevalent. Paid in Feb to April. Flat amount or multiple of salaries. Private companies follow the government practice for the year.
- **Vacations**: 15 working days. After 10 years of service the entitlement rises to 1 additional “progressive vacation” day for each 3 years of service.
- **Vouchers**: restaurant allowance is mandated. Cash (taxable) or vouchers (tax free).
- **Company car**: not prevalent. Provided only managers (directors) and above.
- **Profit Sharing**: yes.
- **Merit bonus**: prevalent in multinational companies.
- **Maternity leave**: 6 months. Job security during pregnancy and for one year following birth is guaranteed.
- **Paternity leave**: 5 days.
- **Kindergarten**: mandatory for companies with 20+ female employees. In kind or cash.
- **“Mutual”**: mandatory employer contribution. Covers accident and work-related sickness (including accidents to and from work). Social and recreational activities; discounts.
- **Variable compensation**: becoming prevalent.
- **Cell phones**
- **Transportation**: Monthly cash allowance for all employees.
- **Long Term Incentives**: limited.
Country Highlights

Chile

Life & Disability:
- Very prevalent benefit.
- Bundled with Medical and Dental in a single contract.
- Benefit is a flat amount or 2x to 3x annual salaries. All riders are included.

Retirement:
- Mandatory employee contribution to AFP system (individual capitalization accounts) which is solid and robust.
- Role model system which inspired many other countries.
- Long term ability to generate decent retirement income is being questioned. Replacement ratio is expected to be low for high earners.
- If employer sponsored plans are offered they are defined contribution schemes, where there is a voluntary contribution to the AFP (annual bonus, signing bonus).
Country Highlights

Chile

Medical:

✔ Mandatory employee contribution to ISAPRES (privately owned; highly regulated) or Fonasa (public).

✔ On voluntary basis, coverage is supplemented by the employer (second tier) with a PMI (additional cost).

✔ Plans are fully insured.

✔ Plans are on indemnity basis. Medical networks are not common yet. Number of reimbursements is high.

✔ Employee contributions to PMI are becoming frequent.

✔ Main vendors are local enterprises: MetLife, BCI Seguros, BICE Vida, Consorcio, Chilena Consolida (Zurich), Euroamerica, Sura, Cruz Blanca, Magallanes, Security, Vida Cámara.

✔ Reference currency: UF.
Country Highlights

Chile

Trends and Particularities:

✓ More competitiveness among current carriers due to arrival of new companies to market.

✓ Employers are requesting coverage for pre-existing conditions.

✓ Bundled employee benefit package (Life, Medical, Dental and Catastrophic).

✓ Low cost per employee because PMI is a supplemental coverage.
Iguazu Falls comprise over 275 cascades. The water tumbles over heights of 80 meters (262 ft) and 3 kms (1.9 mi) wide.
Country Highlights

Argentina

- **Annual bonus**: 30 salary days (half in June and half in December). Taxable.
- **Vacations**: 14 to 35 calendar days with a 20% premium (sometimes enhanced).
- **Vouchers**: were extremely popular but are no longer tax free, so have disappeared. Benefit was converted in salary.
- **Company car**: very prevalent directors and above.
- **Profit Sharing**: not, but strong demand from Unions.
- **Merit bonus**: prevalent in multinational and mid & large domestic companies.
- **Variable compensation**: becoming prevalent.
- **Cell phones**: prevalent managers and above.
- **Transportation**: not prevalent. Only certain industries and locations.
- **Long Term Incentives**: limited.
Country Highlights

Argentina

Life & Disability:

✓ Mandatory Life: low sum equal to funeral expenses. Not poolable.
✓ Group Life: Benefit is 2x to 3x annual salaries.
✓ Voluntary & contributory basis are still common.
✓ All riders. Death, AD&D and Total and Permanent Disability are bundled in a single contract.
✓ Local profit sharing is available for mid size groups and above. MNP dividends to be paid in country.
Country Highlights

Argentina

Retirement:

In 2008, the government took over the mandatory pension scheme - individual capitalization accounts - administered by AFJP and returned to the PAYG system (employee and employer contributions) while raising contributions to highly paid employees.

The vast majority used a trust and intended to maintain the current assets of the plan outside Argentina in USD.

As a consequence of the new regulations both companies and trustees cannot access USD and are therefore not able to fund their pension plans offshore. Companies are analyzing the possibility to replicate their plans through the implementation of a local trustee.

DC employer sponsored plans are becoming prevalent for executives. 3% to 6% contribution, matching 100%, vesting 5 to 10 years.
Country Highlights

Argentina

Workers Compensation:

- Social Security outsourced occupational medicine to workers compensation insurance companies.
- Administered by ART (exclusive object insurance companies).
- Carriers tend to specialize by industry and geography.
- Benefits are dictated by regulation: occupational medical coverage, death and STD.
- Benefits are provided at private and public hospitals.
- 100% employer paid. Not poolable.
Country Highlights

Argentina

Medical:

✓ Mandatory employer and employee contributions to Obra Social of the industry (run by Unions) which are poorly managed (except a few). Work like HMOs which are to provide a minimum mandatory medical plan (PMO) dictated by regulation.

✓ Mandatory contributions can be routed to private market (Prepaid Medical Companies, there are no insurance companies doing Medical). Difference up to total cost can be paid by employer or employee.

✓ Prepaid Medical plans are mostly PPOs. No limit, no deductible no copayment. No ASO.

✓ Coverage is packaged. Prevention included.

✓ No claims experience is disclosed. Community rated.

✓ Main players: OSDE, Medicus, Omint, Galeno, Swiss Medical. No multinational companies. No insurance companies. Carriers own hospitals.

✓ Rate increases are to be approved by the government.
Country Highlights

Argentina

Trends and Particularities:

✓ Limited capacity to customize plans but high complexity to compare them and find the right fit to each employer.

✓ Work / Life balance initiatives are becoming more and more typical in the market place: flexible time schedule for the summer; home office; gym.

✓ By law, employers must provide a minimum ARS 20,000 as death benefit. About 85% of employers provide additional insured death benefits (24 to 36 months paid as a lump sum death benefit) but contributions are common. Enrollment is – in many cases – voluntary.
Has the most species of mammals, plants, fresh water fishes, and world record for most species of monkeys.
The Christ Redeemer is one of the new seven wonders of the world.
Country Highlights

Brazil

- **Annual bonus**: 30 salary days. Taxable.
- **Vacations**: 30 days regardless seniority and YOS. Employee can “sell” back to the employer up to 10 days. 33% premium.
- **Vouchers**: Employer should provide groceries or meal vouchers on a monthly basis.
- **Company car**: prevalent mid managers and above.
- **Profit Sharing**: percentage of monthly salary taking minimum and maximum salaries for the calculation. Negotiations vary by Unions. Employers could design alternative plans in lieu of the suggested by the Collective Union agreement, always respecting the minimum.
- **FGTS**: Government Severance Indemnity Fund for Employee's: Monthly employer contribution of 8% on employee’s salary - with no ceiling - to a specific employee account. Account is managed by the Federal Government. Withdrawals in case of unemployment.
- **Merit bonus**: prevalent in multinational and mid & large domestic companies.
- **Variable compensation**: becoming prevalent.
- **Cell phones**: prevalent mid managers and above.
- **Transportation**: Employer hires transportation or gives a money in advance to employee (voucher or card).
- **Long Term Incentives**: limited.
Country Highlights

Brazil

Life & Disability:

✓ Plans regulated by the Insurance Comissioner Office.

✓ Employer’s contributions vary from 50% to 100% by industry.

✓ Average costs: from 0.25% to 1% of payroll.

✓ Policies are renewed annually.

✓ Benefit is 2x to 3x annual salaries. All riders.

✓ Additional life coverage for spouse 50%, child 10%.

✓ Funeral assistance for employees and family members (spouse and children) is commonly included.

✓ Carriers must provide employees with an annual certificate of insurance.
Country Highlights

Brazil

Retirement:

- Social Security benefits (funded on PAYG basis) are insufficient and usually supplemented with private arrangements (DB, DC and Hybrids).

- DB benefit is high and DC matches are still very generous: employers match 100% of employees contribution; some employers contribute 150% or 200%
  - Average costs: from 6% to 8% of payroll.
  - Normal retirement age: 60 years
  - Vesting period: 10 years and +

- All employees have to be eligible to the plan, although, employee’s enrollment to the plan is not compulsory

- There are 3 types of company funds:
  1. management vehicles: closed entities
     - Self-sponsored funds (single company)
     - Multi-employer
  2. management vehicles: open entities - Insurance Companies funds (offer plans similar to 401K plans)
Country Highlights

Brazil

Medical:

- Social Security provides Healthcare thru funds coming from general taxes. No employer or employee contributions.
- Supplementing the Social Security poor service with PMI is prevalent.
- Coverage is dictated by ANS (National Health Agency) and employer can only design network, reimbursement limit, room & ward and plan tiers. Sum insured is unlimited. Usually 2 and 3 plan tiers
- “Prepaid” and “post-paid” plans. PPO and HMO plans.
- Post-retirement medical liability: companies must report in their balance sheets the liability generated by the continuation of benefits for terminated employees and retirees, if plans were contributory
- Medical inflation since 2005: 2.6 times general inflation
- Dental is prevalent

Main carriers: Bradesco, SulAmerica, Care Plus, Omint, Allianz, Amil (UHC), Unimed (Cooperative)
Country Highlights

Brazil

Trends and Particularities:

✓ Elimination of employee's participation in health plan costs, otherwise employer must maintain inactive employees in benefit, according to Articles 30 and 31 of Law 9656/98

✓ 53% of employers are now assuming full cost of monthly premiums

✓ Offer health plan with co-insurance in procedures

✓ Copayments are paid after the fact through payroll deduction

✓ Market consolidation is increasing due to ongoing government regulations
  - Amil acquired Medial and Lincx
  - Bradesco acquired Mediservice
  - Tempo acquired Itaú Unibanco portfolio
  - Amil acquired by United Health Care
  - Unimed Seguros acquired Tempo Seguros

✓ Today over 26% of lives covered by private health plans are concentrated in 5 major health care carriers
Country Highlights

Brazil

Trends and Particularities:

✓ Coverage is governed by Law 9,656 issued in 1998, and integral to all private plans sold in Brazil (Mandatory Minimum Coverage List). Contractor can’t choose / delete coverage

✓ High regulation sector by ANS (National Health Agency) Reduction of bargaining power between Employer and Providers (annualization of inception periods, 87 new procedures, etc.)

✓ If cost sharing methodology requires employee contributions, law mandates approval by 75% of workforce before implementing changes

✓ Life insurance is not a mandatory benefit under Brazilian law, except for business groups that need to follow collective labor conventions, according to locality and union of professional category
The world’s biggest urban park is not New York’s Central Park.

It’s Parque Simón Bolívar in the capital city of this country.
Country Highlights

Colombia

- **Annual bonus**: mandatory 15 days salary in June and 15 in December for employees earning up to 10 minimum salaries.
- **Vacations**: 15 working days regardless seniority and service. A few industries add 2 or 3 days. No vacation premium.
- **Vouchers**: not mandated. Tax free up to a cap.
- **Company car**: prevalent practice for managers (directors) and above.
- **Profit Sharing**: no.
- **Merit bonus**: prevalent in multinationals.
- **“Caja Compensacion Familiar”**: mandatory 4% employer contribution. Social and recreational activities; discounts; scholarships. Chosen by the employer.
- **Variable compensation**: becoming prevalent
- **Severance account**: employer deposits 1.12 monthly salaries in January into the employee account. Only for employees making up to 10 minimum salaries. Employees can withdraw the funds for paying studies, first home or in case of unemployment.
- **Cell phones**: as a working tool for client facing and commercial areas
- **Transportation**: not prevalent. Only certain industries and locations
- **Long Term Incentives**: limited to a few multinational companies
Country Highlights

Colombia

Life & Disability:

✓ Company paid Group Life insurance is becoming prevalent.
✓ Local profit sharing is available for mid size groups and above.
✓ Benefit is 2x to 3x annual salaries. Not contributory.
✓ Death, AD&D and Total and Permanent Disability are bundled in a single contract.

Retirement:

✓ Mandatory employer and employee contributions to AFP (individual capitalization accounts) which is a solid and robust system. Replacement ratio is expected to be low (60%) for high earners; who are returning to the Social Security PAYG which offers a higher benefit.
✓ The success of the system has contained the demand for supplemental schemes but highly paid employees look at employers for sponsored private plans. DC plans have grown lately, thanks to MNCs’ global benefit philosophy, but still not prevalent.
✓ Prior the creation of the Social Security, employers were responsible for booking pensions. Nowadays, liabilities can be transferred to insurance companies.
Country Highlights

Colombia

Workers Compensation:

✓ Social Security outsourced occupational medicine to workers compensation insurance companies at late '90s.

✓ Occupational medical coverage and STD. Mandatory coverage, administered by ARL (exclusive object insurance companies).

✓ Coverage is mandatory to all employers.

✓ Benefits are dictated by regulation.

✓ Carriers tend to specialize by industry and geography.

✓ Benefits are provided at private clinics and public hospitals.

✓ 100% employer paid. Not poolable.
Country Highlights

Colombia

Medical:

✓ Mandatory employer and employee contributions to EPS (privately run; highly regulated) which provides POS (Mandatory Medical Plan).

✓ Private insurance to supplement POS. Due to their flexibility, Prepaid Medicine Programs (Prepagadas) are preferred over the Medical Insurance Plans

✓ Additional cost to mandated contributions.

✓ Fully insured plans. Self insured plans are not a common market practice.

✓ Plan customization: medicines, ancillary coverage, copayment, deductibles, etc. Rest of provisions are prepackaged.

AIG, Bolivar, Sura, Generali, Liberty, Allianz, Mapfre, PALIG, MetLife as medical insurance carriers; Colsanitas, Coomeva, Colmedica, Colpatria, Medplus as Prepaid Medicine Programs
Country Highlights

Colombia

Trends and Particularities:

✓ Making the perfect fit between EPS and PMI coverage is key

✓ Most Prepaid Medical Companies own also EPSs.

✓ Prevention is covered by the Mandatory Medical Plan (POS)

✓ Law is changing for Health with regulatory adjustments because after 21 years of Law 100 there are still persistent troubles to solve

✓ Preexisting medical conditions are mostly covered only by the POS. Many expats with preexisting conditions can not be covered. Depending on the severity of the conditions, these may be negotiated with the carriers.
Key Topics

Background Information

Country Highlights

Tips

Contact Details
Tips

Culture

- Build a relationship and align goals, otherwise they will focus on the task
- Be patient with English
- Top Down
- Paternalism
- Full of contrasts
- Silence until they have a positive response
- Deixa comigo … ahorita …
Tips

Market

- No data
- Experience of the consultant
- Operational role of the broker. Manual transactions
- Carriers are locals
- Bundled/unbundled
- Law highly protects employee. Severance
Please remember to complete this panel’s survey
Contact Info

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