

Iceland

Exchange rate: US\$1.00 equals 124.45 kronur.

Old Age, Disability, and Survivors

Regulatory Framework

First laws: 1909 and 1980.

Current laws: 1992 (disability), 1997 (pension funds), 2007 (social security), and 2007 (social assistance).

Type of program: Universal and mandatory occupational pension system.

Coverage

Universal pension: All persons residing in Iceland.

Mandatory occupational pension: All employed and self-employed persons aged 16 to 70.

Source of Funds

Insured person

Universal pension: None.

Mandatory occupational pension: 4% of gross earnings.

Self-employed person

Universal pension: 8.65% of presumptive income. (Presumptive income is employment income comparable with the remuneration one would receive if similarly employed by an unrelated person.)

The self-employed person's contributions also finance maternity and paternity benefits, work injury benefits, and unemployment benefits.

Mandatory occupational pension: 12% of earnings.

Employer

Universal pension: 8.65% of gross payroll.

The employer's contributions also finance maternity and paternity benefits, work injury benefits, and unemployment benefits.

Mandatory occupational pension: 8% of the employee's wages.

Government

Universal pension: Finances any deficit.

Mandatory occupational pension: None.

Qualifying Conditions

Old-age pension

Universal pension: Age 67 and has resided in Iceland for at least 3 years between ages 16 and 66 and has annual income below a certain ceiling. For a full pension, the insured must have resided in Iceland for at least 40 years.

Age 60 for some categories of seamen.

Pension supplement: A supplement is granted under certain conditions if the insured's annual income does not exceed a certain amount.

Deferred pension: A pension may be deferred up to age 72.

Child's supplement: Paid for each dependent child younger than age 18.

Social allowances (means-tested): Paid for living expenses such as housing and medicine costs if the insured's annual income does not exceed a certain amount.

Benefits are payable abroad under reciprocal agreement.

Mandatory occupational pension: Age 67 for private-sector employees or age 65 for public-sector employees.

Early pension: From age 65.

Deferred pension: The pension may be deferred up to age 70.

Child's supplement: Paid for each dependent child younger than age 18.

Disability pension

Universal pension: The insured must be between ages 16 and 66 and must have resided in Iceland for at least 3 years. The insured must have an assessed degree of permanent disability of at least 75% as a result of a medically recognized disease or disability and have annual income below a certain ceiling.

Disability allowance: Paid with an assessed degree of permanent disability of 50% to 74%.

Pension supplement: Paid for an unmarried person based on annual income.

Age-related pension supplement: Paid based on age when entitlement to a disability pension was first established.

Child's supplement: Paid for each dependent child younger than age 18.

Social allowances (means-tested): Paid for living expenses such as housing and medicine costs if the insured's annual income does not exceed a certain amount.

The State Social Security Institute assesses the degree of disability following a medical examination by a doctor.

Benefits are payable abroad under reciprocal agreement.

Mandatory occupational pension: Paid for the loss of at least 50% of earning capacity and a loss of income due to

the reduction in earning capacity. The insured must have at least 2 years of contributions.

Survivor pension

Universal pension: The deceased and the survivors must have resided in Iceland for at least 3 years.

Eligible survivors are orphans.

Bereavement social allowance: Paid to a spouse who is widowed before reaching age 67.

Mandatory occupational pension: A surviving spouse's pension and an orphan's pension are paid if the deceased contributed for at least 24 of the 36 months before death or was receiving an old-age or disability pension at the time of death.

Eligible survivors are a spouse or cohabiting partner (including a same-sex partner) and children younger than age 18.

The widow(er)'s pension ceases on remarriage.

Old-Age Benefits

Universal old-age pension: The basic pension for an unmarried person is 351,528 kronur a year. The benefit is reduced when annual income exceeds 2,575,220 kronur and ceases when annual income exceeds 3,981,332 kronur. The pension is paid monthly.

Pension supplement: 1,109,292 kronur a year is paid for an unmarried person. The supplement is reduced when annual income exceeds a certain amount. The supplement is paid monthly.

The maximum pension is paid if the insured has resided in Iceland for at least 40 years; if less than 40 years, the pension is reduced proportionately according to the number of years of residency.

Different amounts apply for married and cohabiting couples.

Deferred pension: A pension is paid with increased benefits.

Child's supplement: 21,657 kronur a month is paid for each child.

Social allowances (means-tested): Means-tested allowances help pay for certain living expenses such as housing and medicine costs.

Benefit adjustment: Benefits are adjusted annually according to changes in wages or the cost-of-living index (whichever is greater).

Mandatory old-age occupational pension: The pension is based on total individual contributions and the length of the contribution period. The minimum pension paid with 40 years of contributions is 56% of lifetime average earnings (1.4% of average lifetime earnings per contribution year). The pension is paid for life.

Early pension: An actuarially reduced pension is paid. The reduction is permanent.

Deferred pension: Calculated in the same way as the mandatory occupational pension.

Child's supplement: The pension fund may provide at least 10,553 kronur per child per month.

Benefit adjustment: Benefits are adjusted annually according to changes in wages or the cost-of-living index (whichever is greater).

Permanent Disability Benefits

Universal disability pension: The full basic pension for an unmarried person with an assessed degree of disability of at least 75% is 351,528 kronur a year. The pension is reduced when annual income exceeds 2,575,220 kronur and ceases when annual income exceeds 3,981,332 kronur. The pension is paid from the first day of the month following the date of the award. The pension is paid monthly.

Disability allowance: The full pension for an unmarried person with an assessed degree of disability of 50% to 74% is 259,884 kronur a year.

Pension supplement: 1,125,708 kronur a year is paid for an unmarried person. The supplement is reduced when annual income exceeds a certain amount. The supplement is paid monthly.

Age-related pension supplement: From 8,784 kronur to 351,528 kronur a year is paid, depending on when the insured became eligible for a disability pension. The supplement is paid monthly.

The maximum pension is paid if the insured has resided in Iceland for at least 40 years based on projected coverage until age 67; the pension is reduced proportionately according to the number of years of residency less than 40.

Different amounts apply for married or cohabiting couples.

Child's supplement: 21,657 kronur a month is paid for each dependent child younger than age 18; the supplement is doubled if both parents have disabilities.

Social allowances (means-tested): Means-tested allowances help pay for certain living expenses such as housing and medicine costs.

Benefit adjustment: Benefits are adjusted annually according to changes in wages or the cost-of-living index (whichever is greater).

Mandatory occupational disability pension: The pension is calculated according to the assessed degree of disability and the value of paid and credited contributions (projected to age 67). The pension is paid from the first day of the month following the date of the award.

Child's supplement: 10,553 kronur a month is paid for each dependent child younger than age 18.

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Benefit adjustment: Benefits are adjusted annually according to changes in wages or the cost-of-living index (whichever is greater).

Survivor Benefits

Universal survivor pension: Each orphan younger than age 18 receives 21,657 kronur a month. The pension is doubled for full orphans.

Bereavement social allowance: The widow(er) may receive 32,257 kronur a month for up to 6 months; a reduced allowance of 24,165 kronur may be paid for an additional 6 months if the widow(er) has a dependent child younger than age 18.

Benefit adjustment: Benefits are adjusted annually according to changes in wages or the cost-of-living index (whichever is greater).

Occupational mandatory survivor pension: The survivor pension is 50% of the disability pension the deceased would have been entitled to receive with a full disability. The pension is paid for 24 months; there is no limit for a spouse supporting a child younger than age 18 or for a spouse younger than age 67 with a disability of at least 50%.

Occupational mandatory orphan's pension: At least 14,390 kronur per child per month is paid. The minimum pension is doubled for full orphans.

Benefit adjustment: Benefits are adjusted annually according to changes in wages or the cost-of-living index (whichever is greater).

Administrative Organization

Universal pension: Ministry of Social Affairs and Social Security (<http://felagsmalaraduneyti.is>) provides general supervision.

Social Insurance Administration (<http://www.tr.is>) administers the programs through local offices.

Mandatory occupational pension: Ministry of Finance (<http://fjarmalaraduneyti.is>) provides general supervision.

Forty-three independent pension funds administer the mandatory occupational pension program.

Sickness and Maternity

Regulatory Framework

First laws: 1936 (social security), 1973 (health service), and 1975 (maternity leave and benefits).

Current laws: 2000 (maternity and paternity leave), 2007 (health service), 2007 (social security), and 2008 (health insurance).

Type of program: Universal and social insurance system.

Coverage

Cash sickness benefits: Employed and self-employed persons residing in Iceland.

Cash maternity benefits: Employed and self-employed persons and parents residing in Iceland.

Medical benefits: All residents of Iceland.

Source of Funds

Insured person: None.

Self-employed person: None for cash sickness and medical benefits. See source of funds under Old Age, Disability, and Survivors, for cash maternity and paternity benefits.

Employer: None for cash sickness and medical benefits. See source of funds under Old Age, Disability, and Survivors, for cash maternity and paternity benefits.

Government: The total cost of cash sickness and medical benefits; finances any deficit for cash maternity and paternity benefits.

Qualifying Conditions

Sickness benefits: The insured must be aged 16 or older, incapable of work as the result of a sickness for at least 21 days, not receiving old-age or disability benefits, and not receiving wages or employer-paid sickness benefits due to illness. A partial benefit is paid for those who receive 50% of their income due to illness.

Maternity and paternity benefits: Both parents must have been working in Iceland for at least 6 consecutive months before the first day of parental leave.

Maternity and paternity grants: The insured must have resided in Iceland for at least 12 months before the expected date of childbirth.

Medical benefits: The insured must have resided in Iceland for at least 6 months.

Sickness and Maternity Benefits

Sickness benefit: At least 1,140 kronur a day is paid for persons who do not receive wages or employer-paid sickness benefits due to illness; 500 kronur a day is paid for persons who receive only 50% of their income due to illness. The benefit is paid after a 14-day waiting period.

(Employers must pay wages for at least 1 month (may be extended, depending on collective agreements) to employees with at least 12 consecutive months of employment. Cash benefits are not paid until wages have ceased.)

The duration of benefits is 52 weeks in any one 24-month period.

Child's supplement: 312 kronur a day is paid for each child younger than age 18.

Maternity and paternity benefits: Both parents may be entitled to benefits. For employees and self-employed persons, the benefit is 80% of the insured's average wage or income during the last 2 years before the year of the child's birth.

The total combined leave period for a mother and father is 3 months. The maternity leave period may start 1 month before the expected date of childbirth; paternity leave is taken after childbirth. Parents decide how and when the leave period will be split between them. The leave period must be taken before the child is age 18 months.

If the insured is employed part time (between 25% and 49%), the minimum benefit is 82,184 kronur a month; if employed between 50% and 100%, the minimum benefit is 113,902 kronur a month.

The maximum benefit is 300,000 kronur a month.

Maternity and paternity grants: 49,702 kronur a month is paid to parents working less than 25% time. The grant for a parent attending a full-time education program is 113,902 kronur a month.

Workers' Medical Benefits

A minimum fee is charged for a doctor's visit. Inpatient treatment in a public hospital or maternity ward is free of charge. Free medication is provided for some chronic diseases; for other medicine, the insured pays a minimum fee. A minimum fee is paid for X-rays and travel costs.

Dependents' Medical Benefits

A minimum fee is charged for a doctor's visit. Inpatient treatment in a public hospital or maternity ward is free of charge. Free medicine is provided for some chronic diseases; for other medicine, the insured pays a minimum fee. A minimum fee is paid for X-rays and travel costs.

Children up to age 18 are entitled to a partial reimbursement of costs, and there is partial reimbursement for dental care for persons younger than age 21.

There is no reimbursement for medical care for persons between ages 18 and 66, except for disability pensioners.

Administrative Organization

Ministry of Health (<http://heilbrigdisraduneyti.is>) and the Ministry of Social Affairs and Social Security (<http://felagsmalaraduneyti.is>) provide general supervision.

Social Insurance Administration (<http://www.tr.is>) and Icelandic Health Insurance (<http://www.sjukra.is>) administer the programs through local offices.

Work Injury

Regulatory Framework

First law: 1925.

Current laws: 1992 (disability), 2007 (social security), and 2007 (social assistance).

Type of program: Social insurance and social assistance system.

Coverage

Employed and self-employed persons, apprentices, persons engaged in rescue operations, and athletes participating in organized athletic activities.

Source of Funds

Insured person: None.

Self-employed person: See source of funds under Old Age, Disability, and Survivors.

Employer: See source of funds under Old Age, Disability, and Survivors.

Government: Work injury insurance is partly financed through general taxation.

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period.

Temporary Disability Benefits

1,392 kronur a day is paid after a 7-day waiting period if the incapacity for work lasts for at least 10 days. The benefit is paid for up to 52 weeks.

Child's supplement: 3,120 kronur is paid for each dependent child younger than age 18.

The maximum benefit is 75% of earnings.

(Collective agreements provide for the continued payment of wages for a certain period (depending on agreements), in which case cash benefits are not paid until wages have ceased.)

Benefit adjustment: Benefits are adjusted annually according to changes in wages or the cost-of-living index (whichever is greater).

Permanent Disability Benefits

Permanent disability pension: For an assessed degree of disability of at least 75%, 351,528 kronur a year is paid. For an assessed degree of disability of 50%, the benefit is 50% of the full pension and increases by 2% for each additional degree of assessed disability up to 75%. For an assessed degree of disability of 10% to 49%, a lump sum is paid according to the assessed degree of disability.

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The State Social Security Institute assesses the degree of disability following a medical examination by a doctor.

Pension supplement: 1,125,708 kronur a year is paid for an unmarried person.

Age-related pension supplement: From 8,784 kronur to 351,528 kronur a year is paid, depending on the insured's age when they first became entitled to a disability pension.

Child's supplement: 21,657 kronur a month is paid for each child younger than age 18 supported by the insured when the disability began. If the assessed degree of disability is 75% or more, a supplement is also paid for dependent children older than age 18.

Social allowances (means-tested): Means-tested allowances are paid for certain living expenses such as housing and medicine costs.

Benefit adjustment: Benefits are adjusted annually according to changes in wages or the cost-of-living index (whichever is greater).

Workers' Medical Benefits

All necessary medical care is provided, including specialist services and hospitalization.

Survivor Benefits

Survivor pension: If the insured dies within 2 years after the date of injury or the date the occupational disease was diagnosed, the surviving spouse receives 32,332 kronur a month for 8 years.

Orphan's pension: Each orphan younger than age 18 receives 21,657 kronur a month; the pension is doubled for full orphans. Children older than age 16 with disabilities who were supported by the deceased when the injury occurred or the occupational disease was diagnosed receive a lump-sum benefit of between 403,547 kronur and 1,211,080 kronur, depending on the degree of necessary support.

In the absence of other surviving relatives, a lump sum of 565,207 kronur is paid to the deceased's surviving children or, otherwise, to the estate.

Benefit adjustment: Benefits are adjusted annually according to changes in wages or the cost-of-living index (whichever is greater).

Administrative Organization

Ministry of Health (<http://heilbrigdisraduneyti.is>) provides general supervision.

Social Insurance Administration (<http://www.tr.is>) administers the programs through local offices.

Unemployment

Regulatory Framework

First law: 1956.

Current laws: 2006 (unemployment) and 2006 (labor market).

Type of program: Social insurance system.

Coverage

Employed and self-employed persons.

Source of Funds

Insured person: None.

Self-employed person: See source of funds under Old Age, Disability, and Survivors.

Employer: See source of funds under Old Age, Disability, and Survivors.

Government: None.

Qualifying Conditions

Unemployment benefits: The insured must be aged 16 to 69, reside in Iceland, and have at least 10 weeks of insured employment in the previous 12 months. The insured must be registered at an employment office, be actively seeking, and available for, work, and have been unemployed for at least 3 days before registration. For continuing entitlement, the insured must register at the employment agency every 2 weeks.

Self-employed persons must have paid contributions in the last 12 months before employment ceased and must have paid income tax for at least 3 months.

Part-time work is permitted.

Unemployment Benefits

Up to 6,900 kronur a day is paid. The minimum benefit after 10 weeks of full employment is 1,725 kronur a day. The benefit is paid from the first day if the insured is involuntarily unemployed; otherwise, after a 40-day waiting period. Benefits are paid for up to 3 years.

Benefits are reduced proportionately if the insured works part time.

The full daily benefit is paid for 10 days; thereafter, daily benefits are based on 70% of average earnings.

Average earnings are based on earnings during the 6-month period ending 2 months before becoming unemployed.

Child's supplement: A daily supplement of 4% of the full benefit is paid for each dependent child younger than age 18.

Benefit adjustment: Benefits are adjusted annually according to changes in wages or the cost-of-living index (whichever is greater).

Administrative Organization

Ministry of Social Affairs and Social Security (<http://felagsmalaraduneyti.is>) provides general supervision.

Direktorat of Labor (<http://www.vinnumalastofnun.is>) administers the Unemployment Insurance Fund and the employment agencies.

Family Allowances

Regulatory Framework

First law: 1946.

Current laws: 2003 (income tax) and 2007 (social assistance).

Type of program: Universal system.

Coverage

Children and parents or guardians of children residing in Iceland.

Source of Funds

Insured person: None.

Self-employed person: None.

Employer: None.

Government: The total cost.

Qualifying Conditions

The child must be younger than age 18 and reside in Iceland and be supported by those who are subject to unlimited tax liability in Iceland.

Family Allowance Benefits

Child benefit (income-tested): Flat-rate benefits are awarded as a tax reduction to families with children and income below a certain level. The benefit is assessed based on the previous year's income. Advance payments are made on the first day of February and the first day of May each year.

The annual child benefit in 2009 is 61,191 kronur for children younger than age 7 at the end of the 2008 income year. In addition, married or cohabiting parents receive a supplement of 152,331 kronur for the first child and 181,323 kronur for the second and each additional child. Single parents receive a supplement of 253,716 kronur for the first child and 260,262 kronur for the second and each additional child.

Income test: Benefits are reduced according to certain rules when income exceeds 3,600,000 kronur for married or cohabiting parents; 1,800,000 kronur for single parents.

Child education grant: 21,657 kronur a month is paid to children aged 18 to 20 who are in full-time education or vocational training if one or both parents are deceased or an old-age or disability pensioner.

Social allowance (means-tested): Means-tested allowances help pay for certain living expenses such as housing.

Administrative Organization

Ministry of Finance (<http://fjarmalaraduneyti.is>) provides general supervision for child tax benefits.

Direktorat of Inland Revenue (<http://rsk.is>) administers benefits in the form of tax reductions.

Ministry of Social Affairs and Social Security (<http://felagsmalaraduneyti.is>) supervises benefits administered by the Social Insurance Administration (<http://www.tr.is>) and supervises benefits administered by local authorities.

Social Insurance Administration (<http://www.tr.is>) and local authorities administer social allowances.