

## Iceland

Exchange rate: US\$1.00 = 122.27 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.

#### Source of Funds

##### Insured person

*Universal pension:* None.

*Mandatory occupational pension:* 4% of gross earnings.

##### Self-employed person

*Universal pension:* 7.79% of presumptive income. (Presumptive income is the employment income 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:* 7.79% 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, has resided in Iceland for at least 40 years (three years for a reduced pension) from ages 16 to 66, and has annual income below 4,148,420 kronur.

Age 60 for some categories of seamen.

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

**Deferred pension:** The 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 for private-sector employees.

**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 from ages 16 to 66, and must have resided in Iceland for at least three 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:** A supplement is granted if the insured's annual income does not exceed a certain amount.

**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 two years of contributions.

### Survivor pension

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

Eligible survivors are orphans.

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

*Mandatory occupational pension:* 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:** 393,300 kronur a year is paid to an unmarried person (different amounts for married or cohabiting couples) with annual income of up to 2,575,220 kronur. A reduced benefit is paid with annual income from 2,575,220 to 4,148,420 kronur. The pension is reduced proportionately for less than 40 years of residency.

Pension supplement: 1,241,124 kronur a year is paid. The supplement is reduced when annual income exceeds a certain amount.

Deferred pension: A pension is paid with increased benefits.

Child's supplement: 24,230 kronur a month is paid for each child.

Social allowances (means-tested): 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).

**Mandatory old-age occupational pension:** 1.4% of average lifetime earnings for each contribution year is paid for life. The minimum pension is 56% of lifetime average earnings with 40 years of contributions.

Early pension: An actuarially reduced pension is paid.

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

Child's supplement: At least 10,553 kronur a month is paid for each child.

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:** 393,300 kronur a year is paid to an unmarried person (different amounts for married or cohabiting couples) with at least a 75% assessed degree

of disability and annual income of up to 2,575,220 kronur. A reduced benefit is paid with annual income from 2,575,220 to 4,148,420 kronur. The pension is reduced proportionately for less than 40 years of residency.

Disability allowance: 290,760 kronur a year is paid to an unmarried person with an assessed degree of disability of 50% to 74%.

Pension supplement: 1,259,484 kronur a year is paid to an unmarried person. The supplement is reduced when annual income exceeds a certain amount. The supplement is paid monthly.

Age-related pension supplement: From 9,833 kronur to 393,300 kronur a year is paid, depending on when the insured became eligible for a disability pension. The supplement is paid monthly.

Child's supplement: 24,230 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): 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).

**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.

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 24,230 kronur a month. The pension is doubled for full orphans.

*Bereavement social allowance:* 36,090 kronur a month is paid to the widow(er) for up to six months; 27,036 kronur for an additional six 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 for at least a 75% assessed degree of 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 a child 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 Welfare (<http://www.velferdarraduneyti.is>) provides general supervision.

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

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

Forty-three independent pension funds administer their own programs.

### **Sickness and Maternity**

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#### **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 18 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 six 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 six months.

### **Sickness and Maternity Benefits**

**Sickness benefit:** At least 1,232 kronur a day is paid for persons who no longer receive wages or employer-paid sickness benefits due to illness; 616 kronur a day is paid for persons who receive 50% of their income due to illness. The benefit is paid after a 14-day waiting period.

(Employers must pay wages for at least one 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: 337 kronur a day is paid for each child younger than age 18.

**Maternity and paternity benefits:** 80% of the insured's average wage or income during the last two years before the year of the child's birth is paid.

The total combined leave period for a mother and father is three months. The maternity leave period may start one 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 (from 25% to 49%), the minimum benefit is 82,184 kronur a month; if employed from 50% to 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; 113,902 kronur a month to a full-time student.

### **Workers' Medical Benefits**

A minimum fee is charged for a doctor's visit, certain medicine, X-rays, and travel costs. Inpatient treatment in

a public hospital or maternity ward is free of charge. Free medication is provided for some chronic diseases.

### **Dependents' Medical Benefits**

**Medical benefits for dependents:** A minimum fee is charged for a doctor's visit, certain medicine, X-rays, and travel costs. Inpatient treatment in a public hospital or maternity ward is free of charge. Free medication is provided for some chronic diseases.

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 18.

Only disability pensioners are reimbursed for medical care.

### **Administrative Organization**

Ministry of Welfare (<http://www.velferdarraduneyti.is>) provides 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:** Partially finances through general taxation.

#### **Qualifying Conditions**

**Work injury benefits:** There is no minimum qualifying period.

### **Temporary Disability Benefits**

1,558 kronur a day is paid after a seven-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: 1,907 kronur a day 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). 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:** 393,300 kronur a year is paid for at least a 75% assessed degree of disability. 50% of the full pension is paid for an assessed degree of disability of 50%, plus 2% for each additional degree of assessed disability. A lump sum is paid for an assessed degree of disability of 10% to 49%.

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

Pension supplement: 1,259,484 kronur a year is paid for an unmarried person.

Age-related pension supplement: From 9,833 kronur to 393,300 kronur a year is paid, depending on the insured's age when first entitled to a disability pension.

Child's supplement: 24,230 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 two years after the date of injury or the date the occupational disease was diagnosed, the surviving spouse receives 36,174 kronur a month for eight years.

**Orphan's pension:** Each orphan younger than age 18 receives 24,230 kronur a month; the pension is doubled for

full orphans. Children with a disability older than age 16 who were supported by the deceased when the injury occurred or the occupational disease was diagnosed receive a lump-sum benefit from 451,502 kronur to 1,354,998 kronur, depending on the degree of necessary support.

If there are no other eligible surviving relatives, a lump sum of 632,374 kronur is paid to the deceased's surviving children or 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 Welfare (<http://www.velferdarraduneyti.is>) provides general supervision.

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

## **Unemployment**

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### **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:** Aged 16 to 69, reside in Iceland, and have at least 10 weeks of employment in the previous 12 months. Must be registered at an employment office, be actively seeking, and available for, work, and have been unemployed for at least three days before registration. For continuing entitlement, the insured must register at the employment agency every two weeks.

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

Part-time work is permitted.

### **Unemployment Benefits**

Up to 6,900 kronur a day is paid for 10 days; at least 1,725 kronur a day with 10 weeks of full-time employment.

70% of the insured's average earnings is paid from the 11th day. The benefit is paid after a 40-day waiting period; from the first day if the insured is involuntarily unemployed.

Benefits are reduced proportionately if the insured works part-time.

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

**Child's supplement:** 4% of the full benefit is paid daily 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 Welfare (<http://www.velferdarraduneyti.is>) provides general supervision.

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

## **Family Allowances**

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### **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, 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 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 is 61,191 kronur for children younger than age 7 at the end of the 2008 income year.

A supplement of 152,331 kronur is paid to married or cohabiting parents for the first child and 181,323 kronur for the second and each additional child. A supplement of 253,716 kronur is paid to single parents for the first child and 260,262 kronur for the second and each additional child.

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

**Child education grant:** 24,230 kronur a month is paid to children aged 18 to 20 who are full-time students or in vocational training if at least one parent is either deceased or an old-age or disability pensioner.

**Social allowance (means-tested):** Paid for certain living expenses such as housing.

## **Administrative Organization**

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

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

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

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