

## Iceland

Exchange rate: US\$1.00 equals  
72.25 Icelandic kronur (IKr).

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First laws:** 1909 and 1980.

**Current laws:** 1993 (social security) and 1997 (general pension funds).

**Type of program:** Universal and mandatory occupational pension system.

#### Coverage

**Universal pension:** All residents.

**Mandatory occupational pension:** All employees and self-employed persons.

#### Source of Funds

##### Insured person

*Universal pension:* None.

*Mandatory occupational pension:* 4% of wages.

##### Self-employed person

*Universal pension:* A social security contribution of 5.64% is imposed on the presumptive income of the self-employed. (Presumptive income is employment income comparable with the remuneration one would receive if similarly employed by an unrelated person.)

*Mandatory occupational pension:* 10% of earnings.

##### Employer

*Universal pension:* A social security contribution of 5.64% is imposed on all remuneration paid for employment. (Contributions also finance maternity/paternity, work injury, and unemployment benefits.)

*Mandatory occupational pension:* 6% of employee's wages.

##### Government

*Universal pension:* Remaining costs.

*Mandatory occupational pension:* None.

#### Qualifying Conditions

##### Old-age pension

*Universal pension:* Age 67 with a minimum 3 years' residency in Iceland between ages 16 and 66 (40 years' residency for a full pension) and annual income below a certain ceiling.

The pension is payable abroad under reciprocal agreement.

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

##### Disability pension

**Universal pension:** Between ages 16 and 66 with 3 years' residency in Iceland before the claim to benefit, a permanent disability assessed at a minimum of 75% as a result of a medically recognized disease or disability, and annual income below a certain ceiling.

The pension is payable abroad under reciprocal agreement.

**Mandatory occupational pension:** The loss of 50% or more of earning capacity, at least 2 years' contributions, and a loss of income due to the reduction in earning capacity.

##### Survivor pension

**Universal pension:** A child pension is payable to an orphan, or to a parent, with 3 years' residency in Iceland.

**Mandatory occupational pension:** The surviving spouse pension and orphan's pension are paid if the insured 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 orphans are defined as children up to age 18.

#### Old-Age Benefits

##### Old-age pension

**Universal pension:** The basic pension for a single person is IKr 21,249 a month. The benefit is reduced when annual income exceeds IKr 1,716,020 and ceases when income exceeds IKr 2,565,980.

**Pension supplement:** The supplement for a single person is IKr 41,655 a month. The supplement is reduced when annual income exceeds IKr 550,656 and ceases when income exceeds IKr 1,661,456.

**Additional pension supplement:** The additional pension supplement for a single person is IKr 20,540 a month. The supplement is reduced if the insured has other income and ceases when annual income exceeds IKr 547,733.

The maximum pension is awarded for 40 years' residency; the pension is reduced in proportion to the number of years of residency less than 40 (for example, 3 years' residency gives entitlement to 3/40 of the full amount).

Different amounts apply for married or cohabiting couples.

**Supplement for children:** IKr 16,025 a month for each child under age 18.

**Other means-tested allowances:** Means-tested allowances contribute toward certain living expenses such as housing and medicine costs.

**Benefit adjustment:** Benefits are adjusted annually according to the current state budget for changes in wage trends and are adjusted at least to the cost-of-living index.

**Mandatory occupational pension:** A minimum pension of at least 56% of lifetime average salary is paid for a contribution

period of 40 years (equivalent to 1.4% of average lifetime salary per contribution year) and is paid for life.

**Benefit adjustment:** Benefits must be, at a minimum, indexed to the consumer price index.

## Permanent Disability Benefits

### Disability pension

**Universal pension:** The basic pension for a single person is IKr 21,249 a month. The pension is reduced when annual income exceeds IKr 1,748,655 and ceases when income exceeds IKr 2,768,608.

**Pension supplement:** The pension supplement for a single person is IKr 42,678 a month. The supplement is reduced when annual income exceeds IKr 568,574 and ceases when income exceeds IKr 1,706,653.

**Additional pension supplement:** The additional supplement for a single person is IKr 20,540 a month. The additional supplement is reduced if the insured has other income and ceases when annual income exceeds IKr 547,733.

**Age-related pension supplement:** The age-related pension supplement for a single person is from a minimum of IKr 3,828 to a maximum of IKr 254,988 a year depending on the insured's age when entitlement to a disability pension was first established.

**Invalidity allowance:** IKr 15,937 a month is payable for an assessed degree of disability of 50% to 74%.

The maximum pension is awarded for 40 years' residency, with coverage projected up to age 67; the pension is reduced in proportion to the number of years of residency less than 40 (for example, 3 years' residency gives entitlement to 3/40 of the full amount).

Different amounts apply for married or cohabiting couples.

**Supplement for children:** IKr 16,025 a month for each child under age 18; this amount is doubled if both parents are disabled.

**Other means-tested allowances:** Means-tested allowances contribute toward certain living expenses such as housing and medicine costs.

**Benefit adjustment:** Benefits are adjusted annually according to the current state budget for changes in wage trends and are adjusted at least to the cost-of-living index.

**Mandatory occupational pension:** The pension is calculated according to the assessed degree of disability and fund regulations.

**Supplement for children:** IKr 7,294 a month per child for active members.

**Benefit adjustment:** Benefits are indexed to the consumer price index.

## Survivor Benefits

### Survivor pension

**Universal pension:** The pension is IKr 16,025 a month for each orphan under age 18. The pension is doubled for full orphans.

**Benefit adjustment:** Benefits are adjusted annually according to the current state budget for changes in wage trends and are adjusted at least to the cost-of-living index.

**Occupational mandatory survivor pension:** The insured must have been receiving a pension from the fund at the time of death or have paid contributions for a certain period before death. The survivor pension is equal to 50% of the potential disability pension to which the pension fund member would have been entitled in the case of full disability. The pension is paid for 24 months; there is no time limit for a spouse supporting a child under age 18 or for a spouse who is at least 50% disabled and under age 67.

**Occupational mandatory orphan's pension:** Pensions are paid to orphans up to age 18. Different amounts apply for the orphan of an old-age pensioner and the orphan of a disability pensioner.

**Benefit adjustment:** Benefits are indexed to the consumer price index.

## Administrative Organization

**Universal pensions:** Ministry of Health and Social Security provides general supervision.

State Social Security Institute administers the programs through local offices.

**Mandatory occupational pensions:** Ministry of Finance provides general supervision.

Administration is provided by 56 independent pension funds.

## Sickness and Maternity

### Regulatory Framework

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

**Current laws:** 1993 (social security), 2000 (maternity/paternity leave and benefits), and 1990 (health service).

**Type of program:** Universal and social insurance system.

### Coverage

**Cash sickness benefit:** Employed and self-employed residents.

**Cash maternity benefits:** Employed and self-employed persons and resident parents.

**Medical benefits:** All residents.

## Source of Funds

**Insured person:** None.

**Employer:** None for cash sickness and medical benefits. See source of funds for the universal pension under Old Age, Disability, and Survivors, above, for cash maternity/paternity benefits.

**Government:** Total cost of cash sickness and medical benefits. Remaining costs for cash maternity/paternity benefits.

## Qualifying Conditions

**Sickness benefits:** Aged 16 or older, not receiving old-age or disability benefits, incapacity for work due to sickness for at least 21 days, and gainful employment in Iceland has ceased.

**Maternity benefits:** For both parents, active participation in the domestic labor market for 6 consecutive months before the first day of parental leave.

**Maternity/paternity grants:** Twelve months' residency before the expected date of childbirth for new residents.

**Medical benefits:** Six months' residency for new residents.

## Sickness and Maternity Benefits

**Sickness benefit:** A statutory minimum of IKr 846 a day for persons who have to give up full-time gainful employment; IKr 423 for persons who have to give up at least half-time employment. The benefit is payable after a 15-day waiting period provided that the incapacity has lasted at least 21 days and income has ceased. The duration of benefits is 52 weeks in any one 24-month period.

Daily supplement for dependent children: A supplement of IKr 231 is awarded for each child under age 18.

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

**Maternity benefits:** Parental benefit entitlements exist for both parents. For employees and the self-employed, the benefit is 80% of the insured's average wage or income during a 12-month consecutive period ending 2 months before the first day of the parental leave.

The minimum benefit if the insured is part-time employed (between 25% and 49%) is IKr 62,121; if employed between 50% and 100%, the minimum benefit is IKr 86,096.

**Maternity/paternity grants:** The award for parents in less than 25% employment or who are nonactive is IKr 40,409 a month. The grant for a parent attending a full-time education program is IKr 91,200 a month.

## Workers' Medical Benefits

A minimum fee is necessary for a doctor's consultation. Inpatient treatment in a public hospital is free of charge. Free

medicine is provided for some chronic diseases; for other medicines, the insured pays a minimum fee. Inpatient care in a maternity ward is free of charge. A minimum fee is paid for X-rays and travel costs. Children up to age 15 receive a 75% refund for dental care, children age 16 receive a 50% refund, and pensioners receive a 50% to 100% refund (subject to an income test).

## Dependents' Medical Benefits

Same as for the family head.

## Administrative Organization

Ministry of Health and Social Security and Ministry of Social Affairs provide general supervision.

State Social Security Institute administers the programs through local offices.

## Work Injury

### Regulatory Framework

**First law:** 1925.

**Current law:** 1993 (social security).

**Type of program:** Social insurance 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.

**Employer:** See source of funds for the universal pension under Old Age, Disability, and Survivors, above.

**Government:** None.

## Qualifying Conditions

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

## Temporary Disability Benefits

A daily cash benefit of IKr 1,038. The benefit is payable after a 7-day waiting period for up to 52 weeks.

Dependent supplement: IKr 222 for each dependent child under age 18.

The maximum benefit is 75% of earnings.

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

## **Permanent Disability Benefits**

**Permanent disability pension:** IKr 254,988 a year if assessed as at least 75% disabled. For individuals who are 50% or more disabled, the award is 50% of the full pension increasing by 2% for each additional degree of assessed disability up to a level of 75% disability. If 10% to 49% disabled, a lump sum is awarded in proportion to the assessed degree of disability.

Pension supplement: A supplement of IKr 512,136 a year plus an additional pension supplement of IKr 246,480 a year and an age-related pension supplement from a minimum of IKr 3,828 to a maximum of IKr 254,988 a year (see permanent disability benefits under Old Age, Disability, and Survivors, above).

Child's supplement: IKr 16,025 a month for each child under age 18 maintained by the beneficiary at the time of the injury. If the disability is assessed at 75% or more, a supplement is also paid for children maintained by the beneficiary beyond age 18.

Other means-tested allowances: Means-tested allowances contribute toward certain living expenses such as housing and medicine costs.

## **Workers' Medical Benefits**

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

## **Survivor Benefits**

**Survivor pension:** If an injury results in death within 2 years of when the injury occurred, the surviving spouse receives IKr 24,040 a month for 8 years.

**Orphan's pension:** IKr 16,025 a month for each orphan under age 18; the pension is doubled for full orphans. Children older than age 16 who, because of a disability, were supported by the deceased when the injury occurred receive a benefit of between IKr 300,421 and IKr 901,263, depending on the degree of necessary support.

A lump-sum payment of IKr 420,592 is paid to the deceased's surviving children when there are no other surviving relatives or, otherwise, to the estate.

## **Administrative Organization**

Ministry of Health and Social Security provides general supervision.

State Social Security Institute administers benefits through local offices.

## **Unemployment**

### **Regulatory Framework**

**First law:** 1956.

**Current law:** 1997.

**Type of program:** Social insurance system.

## **Coverage**

Employed persons and covered self-employed persons.

## **Source of Funds**

**Insured person:** None.

**Employer:** See source of funds for the universal pension under Old Age, Disability, and Survivors, above.

**Government:** None.

## **Qualifying Conditions**

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

## **Unemployment Benefits**

The maximum benefit is IKr 3,681 a day. The minimum benefit, after 10 weeks of full employment, is IKr 920 a day. Benefits are reduced proportionally in cases of part-time work.

Daily supplement for children: A supplement equal to 4% of the full benefit is paid for each child under age 18.

## **Administrative Organization**

Ministry of Social Affairs provides general supervision.

Directorate of Labor administers the Unemployment Insurance Fund and the employment agencies.

## **Family Allowances**

### **Regulatory Framework**

**First law:** 1946.

**Current law:** 1981 (income tax and net wealth tax).

**Type of program:** Universal system.

## **Coverage**

Resident children and parents or persons responsible for the support of the children.

## **Source of Funds**

**Insured person:** None.

**Employer:** None.

**Government:** Total cost.

## **Qualifying Conditions**

Child must be under age 16 and resident in Iceland and supported by those who are subject to unlimited tax liability in Iceland according to the tax law.

## **Family Allowance Benefits**

**Child benefit:** The benefit is assessed and paid on the basis of 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 award in 2004 is IKr 36,308 for children under age 7 at the end of the 2003 income year.

Supplement: In addition, married parents or cohabiting parents receive a supplement of IKr 123,254 for the first child and IKr 146,713 for the second child and additional children. Single parents receive a supplement of IKr 205,288 for the first child and IKr 210,584 for the second child and additional children.

The benefits are granted as a tax reduction. Benefits are reduced according to certain rules when taxable income exceeds IKr 1,444,139 (married and cohabiting parents) or IKr 722,070 (single parents).

## **Administrative Organization**

Ministry of Finance provides general supervision.

Tax authorities administer benefits in the form of a tax reduction.