



# Occupational hazards in Latin America

Juan Antonio López-Gascó

MAPFRE América

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As an introduction, and before dealing with the present state of occupational hazards in Latin America, it is helpful to mention two premises concerning these hazards which constitute the basic principles and primary framework for any country anywhere in the world, independently of whether the administration of these risks is carried out by public or private institutions:

- There should be a differentiated handling from other types of social insurance. Countries which deal with the causes of occupational accidents and their consequences achieve better development and more positive results. Whatever attitude is adopted, it should be remembered that this social risk is different from others -it is characterised by being avoidable, is linked to business activity and arises from business liability.

- Occupational accident insurance should be structured around the worker, if possible to avoid the possibility of an accident, and in the case that an accident does occur, then to provide the best possible medical and rehabilitation assistance. To make this possible it is necessary to use specialised service providers which give a full range of services, in close collaboration with the insurance companies, within a legislative framework which facilitates the achievement of these objectives.

At present in Latin America there is a generalised tendency towards the liberalisation of social insurances, amongst them occupational hazards. There are however significant differences between one country and another.

In chronological order, Chile, Colombia, Argentina and Peru make up the block of countries which, to a greater or lesser degree

of maturity, have already evolved in this sense.

The mutual system which exists in **Chile** is based on Act 16,744 of 1968, although the three mutuals which administer it were set up at the end of the 50's and the beginning of the 60's. This is the Latin American country which has most matured in the overall handling of occupational hazards, with an appropriate co-ordinated application of techniques aimed at prevention, assistance, reparation, rehabilitation and recovery. This was made possible thanks to the concurrence of the two basic principles given above. The existence of regulated rates, with a minimum contribution of 0.9% of salaries plus an additional variable contribution depending on the risk category of the activity and a contribution depending on the risk experience of each company (days lost/workersx100) has had a double beneficial effect: competition is based on service and not on price; and companies which invest most in prevention are rewarded by a decrease in the rate they have to pay. The result of both effects is reflected in the decrease in average rates from 3.5% in 1971 to a percentage of less than 2% at present.

Act 100 which was passed in **Colombia** in December 1993 brought about the liberalisation of the three types of social insurance, occupational hazards insurance for private sector workers being the last one to come into force on August 1, 1994. Professional risk administrators compete with the Instituto de la Seguridad Social which continues to cover around 60% of the workers. It coincides with the Chilean system, although with different calculation methods, in that the rates are regulated and are variable depending on the intrinsic risk of the activity and



the results which have been obtained by the prevention measures taken by each company. Again, competition resides in the level of service, which is aimed almost exclusively at improving company safety and hygiene. Despite its relative youth, this market has advanced significantly in the handling of occupational hazards, although in order to reach the desired level there is still one aspect of great importance pending: decentralisation and specialisation of assistance and rehabilitation techniques.

Although the principal of employers' liability existed in **Argentina** for occupational hazards, the state did not cover them, therefore some employers turned to voluntary private insurance. This situation brought about the so-called "court case industry" due to the large number of civil lawsuits. Act 24,557 which was passed in October 1995 and came into force in July 1996 better protected working conditions in terms of safety and guaranteeing economic and assistance benefits to those involved in accidents, in addition to ending the "court case industry". Despite the fact that this new system was a great advance over the previous one, the goals which were set have not been reached. To a great extent this is because the high level of competition between entities working in occupational hazards has caused average rates to be brought to very low levels - 1.3% - in addition to which the majority of these companies are not providing service with the desired quality, neither in prevention nor in assistance nor in rehabilitation. The reform of

the system is the subject of political debate which aims to increase economic cover, and monitor and punish employers and insurers who do not comply with prevention regulations.

In **Peru**, Act 26,790 on the modernisation of health social security was enacted in May 1997 and the complementary insurance technical regulations for high-risk jobs were passed in April 1998. This reform signals clear progress in the handling of occupational hazards, but there are still advances to be made in order to achieve the two basic principles, firstly, it is only compulsory to take out this insurance for companies which carry out high-risk activities, hence the term "complementary", when in fact other activities, although they pose a lower level of risk, also produce occupational accidents which should be treated differently from other social insurances by analysing the origin and consequences. Secondly, the administration of all the processes is not concentrated in one single company, since occupational health advice, medical assistance, rehabilitation and re-adaptation can freely be contracted with the Instituto Peruano de la Seguridad Social or with a health care company; whilst economic benefits for pensions arising from permanent disability or death and burial expenses may be contracted with the Oficina de Normalización Previsional or with an authorised insurance company, who also handle the subsidy for temporary disability once the maximum period covered by the social security system has expired.

With regard to the countries in which the state continues to handle occupational hazards, Brazil, Mexico and Venezuela are of special note due to their economic importance; although the first tentative steps towards liberalisation are being taken in all of them.

In **Brazil**, the "Ministerio da Previdência e Assistência Social" in November 1997 published an alternative legal proposal for occupational accidents insurance, in which the creation of not for profit private mutuals was considered. A working party has been formed within the Federación Nacional de Seguradoras in order to follow up on the official projects and provide technical comments.

In **Mexico**, retirement fund administrators have managed pensions since July 1997. The latest reforms of the Social Insurance Act with respect to occupational hazards includes the possibility that some economic benefits may be insured with the private sector. The Asociación Mexicana de Instituciones de Seguros has created a occupational hazards committee with the aim of carrying out comparative studies of different countries and analysing future liberalisation.

In **Venezuela**, the Ministerio de Trabajo y Seguridad Social has drafted a Bill for the reform of the health sub-system in December 1997. Changes made to this Bill in 1998 make a provision for the existence of occupational hazards administrators to provide benefits for occupational accidents and occupational disease and sickness. ■