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INTRODUCTION

In the year 2008, Social Insurance in Cyprus completed 51 years of existence. In spite of the adverse political, economic and social conditions that Cyprus went through since the introduction of the first Social Insurance Scheme, social insurance has evolved into an institution which covers all employed persons against the traditional social security risks.

Social insurance has become an important aspect of life of the Cyprus population. This is due not only to the fact that social insurance has managed to survive during the difficult times which Cyprus went through, but also due to its continuous progress and development. With the introduction of the earnings-related Social Insurance Scheme in October 1980, social insurance was modernized and can now be compared to schemes that exist in countries with a long tradition in this field.

The introduction of the supplementary Social Insurance Scheme is the most important turning point in the history of social insurance in Cyprus. It has relieved employed persons from the fear of need and insecurity providing a satisfactory, decent standard of living when their income from work is interrupted.

INSURED PERSONS

Compulsorily insured persons

Every employed person in Cyprus is compulsorily insured under the Social Insurance Scheme. The compulsorily insured persons are classified into two categories: the employed persons and the self-employed persons.

Every person who is employed in the service of an employer, such as workers, employees in the private sector, public employees, semi-public employees and apprentices, fall under the category of employed persons.

Every person who is employed in his own business or performs any activities for his own account, such as trader, industrialist, artisan, farmer etc., falls under the category of self-employed persons.

Voluntary contributors

Every compulsorily insured person such as employed or self-employed, whose employment is terminated, has the right under the Cyprus Social Insurance Scheme, to continue to be insured on a voluntary basis. In order to be eligible to become a voluntary contributor he/she must have paid contributions on insurable earnings not lower than the yearly amount of the basic insurable earnings.

Every person with ordinary residence in Cyprus and employed in the service of a Cypriot employer abroad, can be voluntarily insured even if he has no previous insurance in Cyprus.

The amount of the annual basic insurable earnings is fixed every year.

Persons serving in the National Guard

Persons serving in the National Guard are considered a special category of insured persons not only for the purpose of payment of contributions but also for the payment of benefits.

CONTRIBUTIONS

General

The social insurance contribution is determined as a percentage on earnings (wage/salary or earnings) taken into consideration for social insurance purposes, known as "insurable earnings". Contributions are payable by the employed persons, the employers and the State.

Employed persons contribution

For the employed persons the total rate of contribution is 17,9% (6,8% is payable by the employer, 6,8% by the employee and 4,3% by the State). When an employed person is covered by an occupational pension scheme of his employer without the payment of any contribution on the part of the employee, the rate of the social insurance contribution payable by the employer is 10,15% and by the employee 3,45%.

In the case of apprentices who work without receiving any remuneration, the employer is obliged to pay both his own and the apprentice's contributions (13,6%).

The insurable earnings of an employed person, i.e. the earnings that are taken into consideration for social insurance purposes, include the basic wage or salary, the cost of living allowance, overtime, commissions, 13th salary, 53rd/56th weeks wages, the contribution of the employer to the Central Holiday Fund etc. Ex gratia payments are excluded.

The maximum amount of earnings for the purpose of payment of contributions is fixed by Regulations. This amount is usually revised every year. In the case where the wage or salary is higher than the maximum amount, no contributions are payable for this extra amount.

The contribution rate for apprentices who work and earn lower than half of the amount of the weekly basic insurable earnings, is determined on notional earnings equal to the half of the amount of weekly basic insurable earnings.

The employer is obliged to pay 13,6% on the employees insurable earnings to the Social Insurance Fund (employer's and employee's contribution). He is, however, entitled to deduct the rate of contribution of the employee (6,8%) from his wages or salary on the day he pays the employed person. If the employer omits to deduct the contribution of the employed person on the day he pays the employed person, he has no right to deduct it from future wages or salaries.

Self-employed persons contribution

The total contribution for the self-employed persons is 16,9% of insurable earnings. From this percentage, 12,6% is payable by the self-employed person and 4,3% by the state.

The insurable earnings of self-employed persons, i.e. the earnings on which contributions are calculated, are determined according to their occupation and the period of employment.

For every occupational category there is a minimum notional amount of insurable earnings. However, the self-employed person has the right to pay contributions on a higher amount of insurable earnings up to the maximum amount of insurable earnings. If the actual earnings of the self-employed person is lower than the minimum amount of his occupational category, he can pay contributions on his actual earnings.

An insured person who is simultaneously employed as an employed and as a self-employed person, is obliged to be insured for both of his employments. However, in the case he works in two or more employments as a self-employed person, he is insured for the employment with the higher amount of insurable earnings.

Voluntary insured persons contribution

The rate of contribution of the voluntary contributors is 14,8% from which 11% is payable by the voluntary contributor and 3,8% by the state.

The voluntary contributor chooses the amount of insurable earnings on which he pays contributions which cannot be higher than the weekly amount of his insurable earnings during the last year or the weekly average of the insurable earnings in the last three years.

Persons working abroad in the service of Cypriot employers can pay contributions on their wages or salaries up to the maximum amount of insurable earnings. Their contribution rate is 17,9% from which 13,6% is payable by the voluntary contributor and 4,3% by the state.

Termination of liability for the payment of contributions

The liability for the payment of contributions, for both the employed and self-employed persons, ceases **on the day the insured person attains the pensionable age i.e. the age of 65**. An insured person who attains the pensionable age and does not satisfy the contribution conditions for old age pension, continues to pay contributions until he satisfies the contribution conditions. In no case contributions are payable after the age of 68.

CREDITED INSURABLE EARNINGS

General credits

Apart from periods for which contributions are payable, every insured person can be credited with insurable earnings for:

- (a) any period of full time education or approved training after the age of 16,
- (b) every period he receives sickness benefit, unemployment benefit, maternity allowance, injury benefit or invalidity pension from the Social Insurance Fund,
- (c) any period of declared unemployment or sickness for which there is no entitlement to benefit. In such case the credited period cannot exceed six months,
- (d) the period starting the first day of the year preceding the contribution year in which he was insured up to the last week before the week he was insured,

The insurable earnings credited for the period he does not receive benefit or invalidity pension is equal to the amount of the basic insurable earnings. For the period the insured person is paid a benefit or invalidity pension, he is credited with contributions based on the insurable earnings on which the benefit or the pension was calculated. However, in no case the amount of credited earnings is lower than the amount of the basic insurable earnings.

Credits in case of death or permanent incapacity for work

The period from the day an insured person dies or becomes incapable for work until the age he would have attained or attains the age of 63, is considered as a period of insurance. For this period the insured person is credited with insurable earnings based on the weekly average of **paid**¹ and **credited**² insurable earnings in the upper band from 6.10.1980 or from the beginning of the contribution year in which he attained the age of 16, or from the date he attained the age of 25 years (provided that both dates are after 6.10.1980), or on the basis of the weekly average of the paid and credited insurable earnings in the upper band during the period of the last five years, if this is more favourable for the insured person.

Credits to insured women for each child

An insured woman is entitled to credits, for the purpose of entitlement to a pension or increase of the amount of pension, for every child she gave birth to or adopted after 6.1.1945, for a period up to 156 weeks within the period of the first twelve years from the date of birth of the child. These credits are granted only to cover insufficient insurance record.

¹ **Paid insurable earnings:** Insurable earnings on which contributions have been paid.

² **Credited insurable earnings:** Every insured person can be credited with insurable earnings for any period of full time education after the age of 16 years, for periods of serving in the National Guard and for periods in receipt of sickness, unemployment, maternity, injury benefits, or invalidity pension out of the Social Insurance Fund and for the period of parental leave or leave on grounds of force majeure.

CONTRIBUTIONS TO PERSONS SERVING IN THE NATIONAL GUARD

The special contributions payable by the State for the period of service to the National Guard are considered as insurable earnings equal to the amount of the basic insurable earnings. These earnings are regarded as credited insurable earnings for all benefits and as paid insurable earnings for the purpose of invalidity pension, widow's pension and orphan's benefit.

CONTRIBUTIONS TO THE OLD SCHEME

The contributions which an insured person paid or was credited with in the old Scheme i.e. before 6.10.1980, are taken into consideration in the Current Earnings Related Scheme. For this purpose, every weekly contribution is considered to be equal to the weekly amount of the basic insurable earnings.

INSURABLE EARNINGS OF THE LOWER AND UPPER BAND

The insurable earnings of an insured person for each year are separated in two bands: the lower band includes insurable earnings up to the amount of the basic insurable earnings and the upper band includes earnings above that level.

For this purpose, the insurable earnings are converted to insurance points. Each point is equal to the annual amount of the basic insurable earnings.

As explained below this separation is made because the basic benefits of the earnings related Scheme are based on the lower band of insurable earnings and the supplementary benefits on the upper band.

REVISION OF INSURABLE EARNINGS

If the general level of earnings each year is increased by at least 5%, the insurable earnings of every insured person for the previous years are increased by the rate of increase and his/her benefits are calculated based on these revised earnings.

BENEFITS

General

The benefits of the Scheme and the categories of insured persons are shown below:

Benefits - Beneficiaries

Marriage Grant

both spouses, employed, self-employed and voluntary contributors based on the contributions of either of them.

Maternity Grant

mother, based on her or her husband's contributions, employed, self-employed or voluntary contributor.

Funeral Grant

employed, self-employed and voluntary contributors, pensioners.

Maternity Allowance

employed, self-employed women and voluntary insured women in the service of a Cypriot employer abroad.

Sickness Benefit

employed, self-employed and voluntary contributors in the service of a Cypriot employer abroad.

Unemployment Benefit

employed and voluntary contributors in the service of a Cypriot employer abroad.

Missing person's Allowance

employed, self-employed and voluntary contributors.

Invalidity Pension

employed, self-employed and voluntary contributors in the service of a Cypriot employer abroad.

Old age Pension

employed, self-employed and voluntary contributors.

Widow's Pension

employed, self-employed and voluntary contributors.

Orphan's Benefit

employed, self-employed and voluntary contributors.

Benefits for industrial accidents and occupational disease

Injury Benefit	employed persons
Disablement Benefit	employed persons
Death Benefit	employed persons

All benefits, except grants, which are lump sum payments, are separated into: the basic benefit and the supplementary benefit. This does not mean that the beneficiary is entitled to two separate payments. The distinction is made because the basis for calculation of the two parts of the benefit differs.

The basic benefits are calculated on the lower band of insurable earnings of the insured person i.e. on his basic insurable earnings. Apart from the basic benefit, the insured person receives increases for his **dependants**³. Such increases are payable for a maximum of three dependants.

³ Dependants of insured persons include:

- spouse, with whom the insured person is living or he is wholly or mainly maintaining,
- child who has not reached the age of 15,
- unmarried daughter between the ages of 15 and 23, who is attending full time education,
- unmarried son between the ages of 15 and 25, who is serving in the National Guard or attending full time education,
- unmarried child, irrespective of age, who is permanently incapable of self-support,
- husband, who is incapable of self-support, and is wholly or mainly maintained by his wife,
- parent, who is incapable of self-support and is maintained by the insured person
- younger brother or sister, if he/she is maintained by the insured person.

The supplementary benefits are calculated on the upper band of insurable earnings i.e. the part of earnings of the insured person above the basic insurable earnings. No increases for dependants are paid on the supplementary benefit.

GENERAL INFORMATION ON BENEFITS

Deadline for submission of the application form

For the payment of a benefit, the beneficiary should submit a claim on a specific form accompanied by certificates and other documents.

For every benefit the legislation determines the deadline for submission of the claim. If the claim is submitted after the deadline, the beneficiary may not be paid part or the whole benefit. For deadlines see page 14. Claims are made on application forms which can be obtained from any District Social Insurance Office or through the internet by visiting the website of the Department of Social Insurance Services.

Deadline for cashing the cheques

The cheques for the payment of benefits should be cashed **within six months** from the date of issue. In some cases an extension of six months is given.

Right to more than one benefit

When a person has a right to more than one benefit for the same period based on his insurance, **he receives payment only for the benefit with the higher rate**. This does not apply when the injured person is entitled simultaneously to widow's pension, missing person's allowance, unemployment benefit, sickness benefit,

maternity allowance, or injury benefit. Moreover, disablement pension before 6.10.1980 is payable without increases for dependants, in addition to any other benefit.

When a person is entitled simultaneously to more than one disablement pension for different industrial accidents or occupational diseases, he receives payment for both pensions but the total amount paid cannot be higher than the amount of disablement pension, of a rate of 100%. When an insured widow receives widow's pension, when she reaches the pensionable age and is entitled to an old age pension, she receives both pensions subject to certain limitations as concern the maximum amount of the supplementary pension.

An insured widow, who is entitled simultaneously to a widow's pension and an invalidity pension, can receive both pensions under certain limitations regarding the maximum amount of supplementary pension.

Revision of Pensions

Every time the insurable earnings are revised, the basic pensions are adjusted according to rate of increase.

The supplementary pensions are adjusted according to the cost of living index.

Both basic and supplementary pensions are also adjusted every July in accordance with the cost of living index, if the increase is at least 1%.

DEADLINES FOR SUBMISSION OF APPLICATION FORMS FOR BENEFITS

The Table below shows the deadlines for submission of the application forms for each benefit of the Social Insurance Scheme.

Benefits	Deadline for submission of application forms
Marriage Grant	one year
Maternity Grant	one year
Funeral Grant	one year
Maternity Allowance	twenty one days
Sickness Benefit	twenty one days
Missing Persons' Allowance	three months
Invalidity Pension	three months
Old Age Pension	three months
Widow's Pension	three months
Orphan's Benefit	three months

Employment Injury Benefits

Injury Benefit	twenty one days
Disablement Benefit	three months
Death Benefit	three months



