NATIONAL REPORT

P. De Smet, Belgium

ECONOMICAL AND POLITICAL OVERVIEW

The expected real growth of GNP during 1991 of 1.6% will be the lowest since 1985. This low annual average is mainly due to the 0% growth during the first semesters as a result of the Gulf war.

Resulting from this deceleration, unemployment as % of active population has increased from 8.8% to 9.4%. A further increase to 9.7% is expected in 1992.

In percentage of GNP the public debt has increased in 1991. The reasons for this increase are, the lower economic growth (1.6% against 3.0% in the Budget assumption) and the high tax refunds as a result of the personal tax reform.

New elections took place on November 24, 1991. All conventional parties suffered with losses. Talks to form a new government are still going on and may well drag on for several months.

The strong currency policy has led to a deceleration of the Belgian inflation to 2.785% for 1991, which is now one of the lowest in Europe.
The wages for 1991 and 1992 have been negotiated last year when inflation expectations where high. Due to the present low inflation, the wage increases are unexpectedly moderate.
The average hourly wages have increased during 1991 by 5.4% and average monthly salaries by 3.9%. The average hourly wage amounts to BEF 365 and the average annual salary for a salaried employee to BEF 1,250,000.

Currency rates as at 16 January 1992 :

UK £ = 58.61 BEF
US $ = 33.24 BEF
DM 1 = 20.59 BEF

NON-DISCRIMINATION

As from January 1, 1991 Belgium introduced a flexible retirement age between 60 and 65 without application of the former early retirement reduction.
Although the law was designed to adress the problem of non-discrimination between men and women, there are still various areas where the treatment is different f.e. :

- the pension calculation remains unchanged : the accrual rate remains 1/45th for men and 1/40th for women.
- disabled, unemployed and prepensioned women have to retire at age 60 as their benefits will not continue after that age. Prepensioned male employees will have to continue until age 65.

From this legislation, the EC directive on equal treatment of men and women in occupational plans and the EC judgment of Barber versus Gre it is clear that occupational schemes may no longer discriminate. At the European meeting of Maastricht on 11 December 1991, article 119 of the Treaty of Rome has been amended stating that benefits in respect of service before 17 May 1990 are excluded.

All pension plans, insured as well as self-administered, are currently examining the various alternatives and their cost impact.

PENSION FUND ACCOUNTING

Six years after the introduction of government control on pension funds in 1985, a Royal Decree has been published dating from 19 April 1991 regulation pension fund accounting. The Royal Decree is applicable as from the accounting year 1991. However, with the exception of some of the smaller ones, most funds already keep proper accounts and the main practical changes will therefore be limited to adopting the particular definitions and disclosures included in the Decree.

There are a number of points which are worth mentioning :

* Although individual investments are booked at purchase price, a global booking of any asset gain or loss at year-end has to reconcile total assets to market value.

* Pension liabilities will not be included in the balance sheet, but will be mentioned separately in the disclosures.
  This last point confirms the position of the Belgian Association of Pension Funds, which has always claimed that the pension liability was not ultimately the responsibility of the pension fund but the employer's.
  However, this approach will probably result in less favourable investment regulations than at present, as the draft of the new investment regulations which will probably be implemented during 1992 will apply to total assets. Previously, only assets up to the accrued pension liabilities, calculated at present salary, were regulated; all excess assets could be freely invested. Of course, the forthcoming EC pensions directive will eventually influence any restrictions deemed unnecessary by the Commission.

SELF-EMPLOYED PARTNERS AND MANAGERS

The 1990 modification of the 1985 law relating to pensions and insurance has extended the definition of eligible participants in group insurance or pension funds, by allowing the regular income of self-employed partners and managers to be treated in the same way as the income of salaried employees.
This lifted the last barrier to setting up or including self-employed partners in group insurance or pension fund arrangements, as a less expensive alternative to individual top-hat insured arrangements.

LIFE INSURANCE REFORM

More than one and a half years after the round table on insurance reform organised by the Minister of Economic Affairs, the draft bill has still not yet been finalised. The expected implementation date, initially 1 January 1991, has already been moved to 1 July 1992.

The expected reforms are certainly revolutionary. The three main areas of importance related to the company benefit plans are :

* Introduction of unit-linked contracts both for individual and group policies.

* At present insurers are obliged, at least officially, to apply the same tariff premium rates independent of the size of the employee group covered. The proposal will allow different administrative charges and profit participation according to the size and the individual experience rating of the client.

* At present, whilst collective funding techniques may be used, contributions must in practice be allocated to individual policies. The proposal will discontinue the latter requirement.

One immediate result of these proposals is to legalise finally the deposit administration contracts practised at present by only two insurance companies. They will also theoretically bring the Belgian insurance market more into line with less regulated countries; the remaining question is whether or not insurance companies will be able to adapt to take advantage of these opportunities.

ACTUARIAL CONSULTING ISSUES

Due to the fact that complementary pension plans may no longer discriminate, all companies are currently examining their benefit structure. This involves the intervention of the actuaries.

Actuaries are also getting more and more involved in the financial aspects of pension funds f.e. in asset modelling and performance measurement.

Insurance consulting is also a growing area. The expected new insurance law allows much more flexibility in the product design. Insurance companies are more and more realizing the advantage of using a consulting actuary.

The Belgian Association of Consulting Actuaries has continued to organize meetings in which information is exchanged and common positions in relation to the control of pension funds and legislation about group insurance are determined.

The actuaries of the Control Authority, who are working on the new legislations, are consulting the Association for its opinions.

EXHIBIT
SOCIAL SECURITY IN BELGIUM

OVERVIEW

The Belgian social security system (ONSS) is comprehensive in scope and coverage and involves substantial cost, about three-fourths of which is borne by the employer. Social security benefits are subject to periodic readjustments based on changes in the Consumer Price Index.

Under the Belgian social security system, separate but closely-related programs exist for wage earners, salaried employees, the self-employed, miners and seamen.
The first two programs (outlined in the following pages) substantially cover all employees in private industry and commerce, with the exception of company directors who may be considered self-employed for social security purposes. Other separately financed and administered statutory systems cover national and local Government employees and railroad workers.

Workers' Compensation Benefits, other than for occupational disease, are not provided under the social security system. Employers are required to provide work injury benefits through insurance with a private carrier or a semi-official Government carrier. Minimum benefits are prescribed by law.

Foreigners gainfully employed in Belgium are covered under the appropriate social security system. Foreign nationals are eligible for benefits, provided a reciprocal agreement is in effect.

CONTRIBUTIONS

The Belgian social security system is financed primarily through joint contributions of employees and employers. Substantial Government subsidies from general taxation are also paid into the system as necessary.

There is no earnings ceiling for the calculation of social security contributions (except for Workers' Compensation). However, these contributions are not required for retired nonresident EEC nationals.

A further source of income, are the Social Security contributions required on employer's contributions towards a pension plan of 3.5% and a 10% contribution on the premiums paid for hospitalisation cost insurance paid by the insurer.

The contribution rate on total earnings as of January 1, 1992 amounts to 12.07% for employees and 33.93% for the employer.

Disability and prepension benefits are subject to social security contributions of 3.5% (2.55% for Old Age and Survivors' Pensions). However, this requirement does not apply if the contribution causes the monthly pension to fall below BEF 33,510 for pensioners with no dependents, or BEF 40,012 for those with dependents.

BENEFITS

The earnings ceiling for determining retirement and survivors' pensions is determined annually and applies to both wage earners and salaried employees. The annual benefit ceiling was BF 1,169,542 in 1989, BEF 1,209,862 in 1990 and is BEF 1,248,719 in 1991.

The benefit ceiling applicable for Cash Sickness, Maternity and Disability benefits is BEF 3,350 per day (based on a six-day week).

Old age pension

Since January 1, 1991 a flexible retirement pension system has been introduced allowing both male and female employees to retire between age 60 and 65, without application of the former early retirement reduction of 5% per year of anticipation.

60% of "adjusted career average earnings" is payable for a single person or a married person whose spouse is collecting a pension in his or her own right. For a married person with a dependent spouse, 75% is payable. Benefits are reduced proportionally for service below 45 years for males, 40 years for females.

"Adjusted career average earnings" are defined as 1/45th (1/40th for females) of the total "adjusted earnings" over the career. The "adjusted earnings" are the real earnings during the year, subject to applicable ceilings, revalued by a coefficient designed to reflect :
(1) changes in the cost of living as determined by the Ministry of Social Welfare
and (2) improvements in the standard of living as fixed annually by Royal Decree.

The minimum annual pension payable since January 1, 1992 is BEF 293,075 for a single person with a full career.
The maximum annual pension payable in 1992 is BEF 620,168 for a married man and BEF 662,172 for a married woman.

Survivors' Pensions

A widow or widower must be at least age 45, or have a dependent child. The survivors' pension is equal to the lesser of :
(1) 80% of the accrued married pension, i.e., 80% of 75% of the averaged of the "adjusted earnings" during the years worked;
and (2) 80% of the projected married pension assuming a full career; and in the missing years, earnings of BEF 378,044 per year.
The result is multiplied by the number of years actually worked and divided by the age minus 20.

The survivors' pension terminates at remarriage, and a final payment equal to one year's pension is paid in 12 instalments.

Provisions for orphans are made through the Family Allowance system.

Long-Term Disability Benefits

The disability pension amounts to 65% of covered earnings (up to a daily earnings ceiling of BEF 3,350) if the employee has dependents and earns the only income in the family; 45%, if the employee has no dependents and it is his only income; 40% if the employee has other income.
Pensions are payable until normal retirement age when the Old Age Pension becomes payable and are adjusted for inflation.

Cash Sickness Benefits

After a waiting period of 30 days, during which the employer pays full salary, the employee receives 60% of covered salary (up to a daily earnings ceiling of BEF 3,350), payable six days a week for one year (two additional years under certain circumstances).

Medical Care Benefits

75% of scheduled fees for medical expenses, general and specialist care, physical therapy, nursing and dental care are reimbursed.

Prescribed pharmaceutical products are divided into five categories of reimbursement : (1) 100% reimbursement, (2) patient pays 25% of the cost but no more than BEF 300 (15% and BEF 200 for widows, pensioners, orphans and the disabled), (3) patient pays 50% of the cost but no more than BEF 500 (50% and BEF 300 for widows, etc.), (4) patient pays 60%, (5) no reimbursement.

In addition, insured persons are required to pay a deductible of BEF 25 per day of hospitalisation for all reimbursed prescription drugs. 100% reimbursement of hospitalisation costs for common room accomodations, however, the insured must contribute BEF 244 (BEF 462 if patient is in hospital more than 90 days) towards the cost.

Lower charges apply to widows, pensioners, orphans, the disabled and dependents.

Family allowance

The ordinary allowances amount to :

1st child	BEF 2,451
2nd child	BEF 4,535
3rd and each additional child	BEF 6,711

In addition supplements according to age are paid.

The orphan's allowance payable in lieu of the ordinary allowance amounts to BEF 9,416.
A lump-sum birth grant of BEF 33,205 for the first child and BEF 24,983 for each additional child is paid.

Unemployment insurance

The unemployment benefit is based on earnings up to BEF 52,650 per month (BEF 2,025 per day based on a 26-day month).

Beneficiaries, head of the family, receive 60% of covered earnings, payable until reemployment. Single beneficiaries without dependents receive 60% of covered earnings for the first year, thereafter benefits drop to 54.5%. Cohabitants receive the first year 55%. Thereafter benefits are reduced to 42.5%.