

Costs Related to the Government Social Security System in Brazil & How SomarMed cuts Companies Costs

Av Paulista, 854 | 10º andar | Top Center
Bela Vista | São Paulo | SP | 01310-100
EMAIL info@somarmed.com
TELEPHONE **+551121860381**
WEBSITE somarmed.com

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General Information

Introduction

INSS: “National Institute of Social Security” is an independent body linked to the Brazilian Ministry of Labour and Social Security that receive contributions for the maintenance of the General Regime of Social Security, responsible for paying the retirement, death pension, sickness, accident assistance and other benefits for those who purchase the right to these benefits as intended by the law.

In addition to the revenue collected monthly by compulsory contributions paid by the employer and the employee, the employer must pay another fee known as "RAT" (formerly named “insurance for accidents at work” – in Portuguese, SAT: seguro de acidentes de trabalho).

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RAT

“Work Accident Risk” (Risco de Acidente de Trabalho): It is the company's contribution to the cost of the special retirement and benefits due to the degree of incidence of incapacity to work due to the environmental risks of the job and falls on the payroll.

FAP

“Accident Prevention Factor” (Fator Acidentário de Prevenção): Index assigned to the company due to the accident. Calculated on the basis of accidents / Occupational Diseases statistics, considering: Frequency, Severity and Costs.

RAT ajustado

“Adjusted Rate” (“RAT adjusted”): It is the result of the multiplication of RAT vs FAP.

RAT

“Work Accident Risk”

“RAT” is a fixed rate based on the activities that the company develops, known as “CNAE” (national code of economic activity). The Government is who sets what value for each “CNAE”. There are 3 groups according to the probability of an accident at work due to the activities of the company: low (1%), medium (2%) and high (3%).



RAT

“Work Accident Risk”



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FAP

“Accident Prevention Factor”

“FAP” is a index assigned to the company due to loss ratio (accident), so variable. Calculated on the basis of accidents or Occupational Diseases statistics in the last 2 years, considering:

1. Frequency

- Number of accidents

2. Severity

- Benefit duration

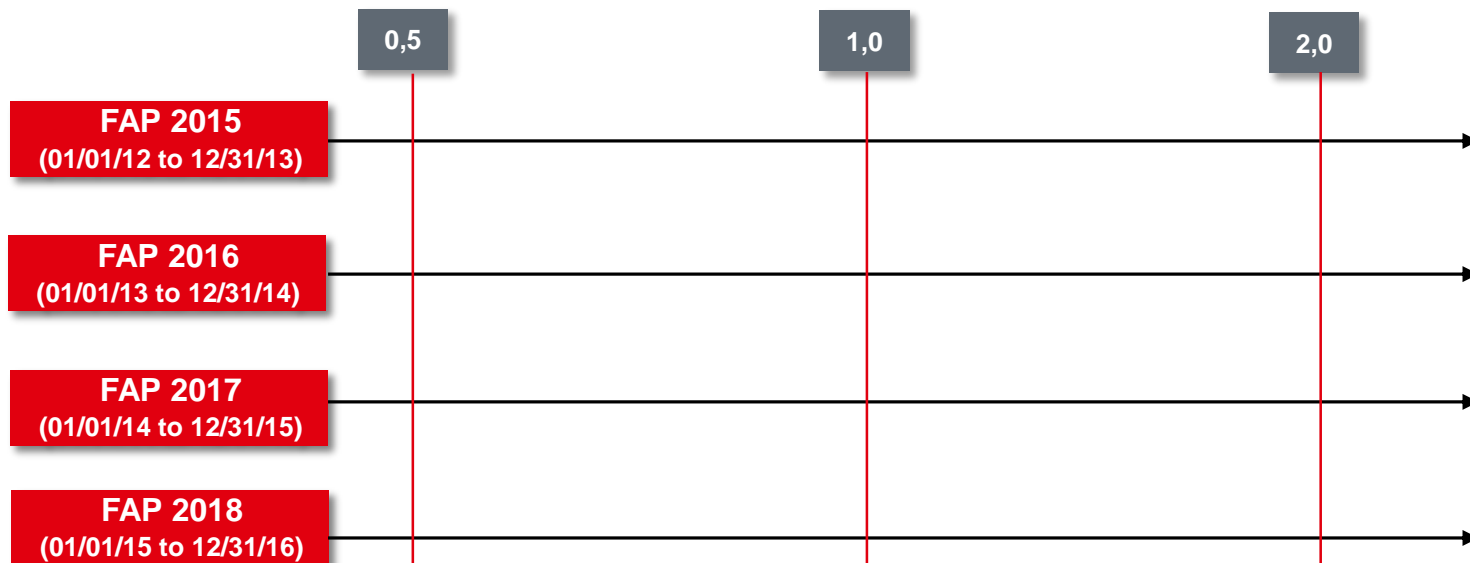
3. Cost

- Amount spent on each accident

FAP

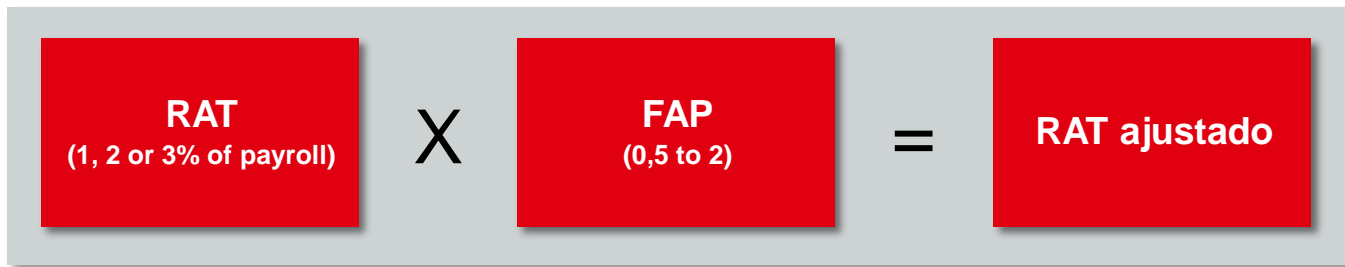
“Accident Prevention Factor”

Important: note that the entire management of occupational accidents will take effect in FAP 2018. Because the factor to be applied in 2017 has been computed in FAP 01/01/2014 to 31/12/2015.



FAP of the year	Base / settlement Period											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2010	April	Dec										
2011		Jan	Dec									
2012			Jan	Dec								
2013				Jan	Dec							
2014					Jan	Dec						
2015						Jan	Dec					
2016							Jan	Dec				
2017								Jan	Dec			
2018									Jan	Dec		
2019										Jan	Dec	
2020											Jan	Dec

Summary



SomarMed Cost Saving Solution

In High Risk Industry with significant accidents in previous 2 year period:

RAT 3% Of Payroll

FAP x 2

RAT ajustado 6% of Payroll cost/annum

Following SomarMed's Intervention :

The FAP reduced to x 0.5

The RAT ajustado reduced to 1.5% of Payroll cost/annum

Saving 4.5% of Payroll cost/annum

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How is this Achieved?

- SomarMed reduces the FAP by reducing:
- **Frequency**-Reduce the number of accidents through training and behavioural change(proven 50-80% reduction).
- **Severity**-This is based on duration of absence.
- Our Rehabilitation programs shorten the recovery time
- Our Modified role programme returns the employee to work more rapidly as we fit the role/task to the temporary disability
- **Cost**-This is the amount spent on each accident. This is reduced by:
- Returning the employee to work more quickly
- Reducing the long term disability through rehabilitation
- Objective assessment of the level of any permanent impairment using the AMA Guides
https://dlr.sd.gov/workerscomp/advisorycouncil/wcagenda090612_mk_ama_guides.pdf

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In Conclusion

Somarmed reduces company costs by:

- Reducing the RAT adjusto to 1.5% of annual payroll costs in high risk industry
Saving 4.5% of annual payroll costs.
- Preventing work related accidents/injuries
- If an accident should occur reducing it's severity
- Reducing cost of employer liability claim through:
 - Rehabilitation
 - Modified Duties, fitting the task to the temporary disability
- Objective assessment of the level of PERMANENT impairment, if any
- **Reducing the absenteeism rate by 20% through our separate Absenteeism Management Programme**

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