

# Market and Benchmark Insight Report for Estonia – 2022

Competitive benefit norms for mid-market employers in Estonia

## Introduction

MAI CEE group was founded in Hungary in 1991, and for 30 years, has provided insurance solutions and employee benefits consulting across Eastern Europe, the Commonwealth of Independent States, and the Caucasus region. With steady growth, MAI CEE now provides insurance advice and services to the 29 countries in the region while having a physical presence in 25.

Today, MAI CEE is the leading insurance broker in the region and enjoys strong and long-lasting ties with its associate Partners. The company prides itself on delivering excellent service with the highest levels of integrity to its clients and partners.

It has specialist divisions to assist multinational businesses as brokers with specific expertise in employee benefits, construction and real estate, cyber, marine and logistics, and claims. MAI-CEE's employee benefits consulting services include:

- A separate Employee Benefits Department Personal Manager for each client
- Significant staff experience ranging from three to 20 plus years in employee benefits management
- Effective resolution of all disputed issues during the insurance period, contract follow-up support, and advocacy for clients' interests
- Complimentary review of clients' existing insurance coverage and recommendations to improve financial and medical efficiencies
- Ongoing contract review to maintain quality and ensure client satisfaction

MAI CEE is proud to be an Asinta Partner and hopes this document is of use to you.



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## 1. Estonia Benefits Landscape

Employee benefits are important in Estonia because they help recruit and retain employees and shape an employer's brand. They vary substantially based on a company's attraction and retention goals, culture, and industry.

Three other factors influence the definition of the benefits' design:

- Industry type
- Salary level
- Location

### 1.1 Industry Type

Benefits vary widely according to industry type. For example, we see generous benefits in the financial services, high-tech, and professional services sectors. However, in the retail and hospitality sectors, benefits are far lower.

### 1.2 Salary Levels

Salary levels will impact benefit provision. In lower-paid industries, you may find only senior managers receive supplemental employee benefits. However, employees in the high-tech industry almost always have supplemental benefits.

In Estonia, it's easier for many employers to just offer a raise instead of any benefits, which gives employees decision-making power over the money.

Please note that in 2022, the average base salary in Estonia is 1660 EUR (Gross).

The minimum salary determined by law is 654 EUR.

### 1.3 Location

An employee's location influences benefits provision and salaries. Salaries are a lot higher in the capital, Tallinn. Whereas employees who live in more rural communities rarely receive any benefits.

## 2. Estonia Benefits Menu

Estonia's mandatory employee benefits include a three-pillar pension system, legislative leaves, employment insurance, and dental care. Common supplementary employee benefits in Estonia include health insurance, voluntary benefits, and gym memberships. Common employee perks include additional vacation days and company cars.

The table below highlights the range of benefits typically available to employees in Estonia.



## 2.1 Mandatory Employee Benefits

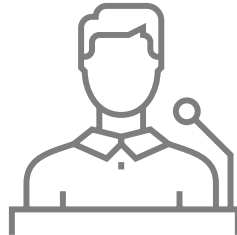
Benefit	Comments
<b>Pension</b>	<p>Pensions are a regular payment made in cases of old age, incapacity to work, or loss of a provider. The Estonian pension system aims to help people maintain their living standards and monthly income when they retire. The Estonian pension system stands on three pillars:</p> <ul style="list-style-type: none"> <li>• Pillar I – State pension</li> <li>• Pillar II – Mandatory funded pension</li> <li>• Pillar III – Supplementary funded pension</li> </ul> <p><b>Pillar I – State Pension</b></p> <p>The state pension is a pension paid by the state and aims to ensure regular monthly income for the persons who have reached the retirement age, have become incapable of work, or have lost their provider.</p> <p>There are several state pensions – old-age pension, pension for the incapacity to work, survivor’s pension, national pension, and superannuated pension.</p> <p>The first pillar is the state old-age pension, which pays a person who reaches the pensionable age and whose length of employment is at least 15 years. The general pensionable age in Estonia is 63 years. The pensionable age for women gradually increased to 63 by the year 2016. By the year 2026, the general pensionable age in Estonia will be 65.</p> <p>The state pension is based on the principle of solidarity, meaning the pensions for today’s pensioners come from the taxes of current workers. The state pays the state pension from funds collected for the state budget from social taxes. The direct payer of the social tax is the employer who withholds a 33% social tax from employees’ salaries, which the state then pays for health insurance and pensions.</p> <p><b>Pillar II – Mandatory Funded Pension</b></p> <p>The second pillar directs a part of employees’ salaries to an additional pension they fund themselves. Two percent of employees’ monthly gross salaries go to their selected pension fund, and the state adds 4% from the current social tax paid by the employee. Subscribing to the funded pension is mandatory for persons who were born in 1983 and later.</p> <p>Management companies invest the pension contributions paid by the employees into different assets to increase fund value over the years.</p> <p>When a person reaches retirement age (as a general rule), a contract must be initiated with an insurance company that becomes obligated to pay the person a pension. The sum depends on the volume of the assets accrued and lasts until death.</p> <p><b>Pillar III – Supplementary Funded Pension</b></p> <p>This option gives people an opportunity to insure their retirement even further, and there are two options for subscribing to the supplementary funded pension:</p> <ul style="list-style-type: none"> <li>• Sign a pension insurance contract with a life insurance company</li> <li>• Make contributions to a voluntary pension fund</li> </ul> <p>There are two options for receiving payments:</p> <ul style="list-style-type: none"> <li>• Based on the insurance contract</li> <li>• Payments from a voluntary pension fund</li> </ul> <p>The individual determines their contribution levels, and those levels are changeable at any time. Contributions are made on a pre-tax basis if they are less than €6,000 or 15% of annual gross income.</p>



<p><b>Holiday Pay</b></p>	<p><b>Vacation</b></p> <p>The typical annual vacation is 28 days. Some professions, such as state officials and local government officials, teachers, academic, pedagogical, and scientific staff, may receive extended vacation. National holidays and public holidays are not part of vacation calculations.</p> <p>Employees may receive unpaid leave for a period of time if their employer agrees to it.</p> <p><b>Maternity Leave</b></p> <p>Women receive 140 days of pregnancy and maternity leave, which commences at least 70 days before the expected due date. The state pays the maternity benefit.</p> <p><b>Parental Leave</b></p> <p>A mother or a father receives parental leave at his or her request to raise a child up to age 3. The state pays the parental benefit. Together the maternity benefit and the parental benefit are paid for 575 days.</p> <p><b>Sickness</b></p> <p>Employees receive 182 calendar days of paid sick leave (max 250 days per year). The gross wage during this period is 70% of their previous year's average salary. The employer pays the wage from the 4th to the 8th day of sickness and the state starting the 9th day.</p>
<p><b>Employment Insurance</b></p>	<p>Unemployment insurance is compulsory. All employees pay 1.6% of their gross earnings, while employers pay 0.8% of payroll for unemployment insurance. Payment is automatically withheld from employees' salaries. People old enough to receive an old-age pension do not pay for unemployment insurance.</p> <p>Legal residents of the EU are eligible for unemployment insurance benefits, and they must contribute for at least 12 of the previous 36 months to receive payment.</p> <p>A legal resident of the EU can apply for unemployment insurance benefits from the country where they last worked and paid taxes. When deciding whether and how long a person is entitled to receive the benefit, the period of time a person worked and paid unemployment insurance contributions in other EU countries is considered. The sum of the benefit paid by Estonia is calculated based on the wages earned in Estonia.</p> <p>If a person does not meet the conditions to receive an unemployment insurance benefit or exhausted their rights to a benefit, they may still qualify for the state unemployment allowance.</p> <p>The unemployment allowance pays unemployed persons who:</p> <ul style="list-style-type: none"> <li>• Do not qualify for the unemployment insurance benefit</li> <li>• Actively look for work</li> <li>• Worked or finished full-time studies</li> <li>• Have income that is less than the allowance</li> </ul> <p>The unemployment allowance (€292,02 per month in 2018) pays for a maximum period of 270 days. If the employee was terminated due to breach of work duties, loss of confidence, or an unbecoming act, unemployment benefits last for a maximum of 210 days.</p>



<b>Dental</b>	<p>Dental care is <b>free of charge for persons under the age of 19</b>. Free dental care is provided only by doctors who have agreed to the <a href="#">contract for financing medical treatment</a> with the Health Insurance Fund.</p> <ul style="list-style-type: none"><li>• The Health Insurance Fund reimburses <b>adult dental care up to €40 per year</b>. The patients pay at least 50% of the service cost.</li><li>• <b>Pregnant women, mothers with children under one year of age, old-age pensioners, people receiving benefits for incapacity for work, and people with partial or no ability to work, people over the age of 63, and people with an increased need for dental care</b> receive a dental care benefit of up to <b>€85</b> per calendar year. The patients pay at least 15% of the service cost.</li></ul> <p>The benefit is usable with dentists who agreed to a <a href="#">contract with the Health Insurance Fund</a>. The benefit applies to <a href="#">primary dental care services</a>. The services' full cost must be paid, including uncovered services. In addition, the service provider has the right to ask a patient to pay an appointment fee of up to €5 (except for pregnant women).</p> <p><b>The amount of the benefit is always deducted from the medical invoice immediately upon payment to the dentist.</b></p>
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## 2.2 Wider Benefit Provision

In addition to mandatory benefits, employers provide a range of benefits to help recruit and retain employees. Estonian employers do not offer many perks, but Western and financial/technical companies are usually more generous with them. More traditional and local companies generally have an understanding that 'salary is your benefit.'

The table below highlights the most common perks in the country.

Benefit	Comments
<b>Company Cars</b>	Salespeople and senior executives receive cars for business and private use, but this benefit is taxed. Reimbursement for personal car usage is also a practice employers use, and reimbursement runs about €0.30 per kilometer (tax-free), but not more than €335 per month. If the reimbursement is more than 335€, the overage is taxed.
<b>Additional Vacation Days</b>	The paid holiday allowance is 28 days (mandatory by law). In the public sector, it's typically 30-35 days. Any extra days are considered a perk. Many companies offer additional days in the form of collective holidays when all the staff is away from the office and business is virtually closed down (during Christmas and summers, for example).
<b>Bonus (marriage/birth)</b>	Some companies may provide a bonus of an amount of ca 500 EUR in case an employee gets married or has a child.
<b>Gym Memberships</b>	Supporting employees' health has always been popular. Perks can range from small things such as fruit in the office. Still, a significant proportion of employers also pay for gym memberships and support employees who want to compete in athletic events such as marathons.
<b>Private Medical Insurance (PMI)</b>	Three insurers offer PMI that costs €400 per employee per year and is not taxed as a fringe benefit. It is debatable if this line will ever be popular since the state healthcare is sound. Health insurance usually covers in- and out-patient treatments, vision, and dental care. Massage and rehabilitation limits are available, as well as other extras.
<b>Work from Home</b>	An increasing number of employers are creating working models that include the possibility of working from home, particularly in the technology sector.
<b>Personal Accident Insurance</b>	Popular and inexpensive products usually cover death, disability, and traumas.

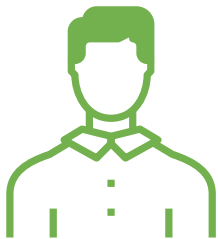
When designing your benefits, you need to consider your sector, employee census data, and objectives. As advisors, we will help you develop a benefits package that works for you and is within your budget.



## 3. Insured Benefits – Design and Typical Costs

The table below highlights the most popular insured employee benefits in Estonia and their typical levels of cover.

Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
<b>Medical Insurance</b>	<p>Managed care schemes are the most common. Employees use their insurance ID card to get access to the insurance company's network of providers.</p> <p>Employers need to cover all employees to get tax incentives. If not, they pay a 33% fringe benefit tax on top of the premium.</p>	N/A	Only some staff is covered.	All staff is covered.
<b>Life &amp; Disability Insurance</b>	<p>Typically, group life insurance schemes include lump sum benefits in the case of death, accidental death and disability, and usually amount to a multiple of each employee's salary.</p> <p>Companies rarely offer life insurance. Employees typically buy private life insurance schemes offered by banks (e.g., when purchasing a property/apartment/house).</p>	<p>Only senior staff is covered.</p> <p>Sum insured is equal to 1 annual salary.</p>	<p>All staff is covered.</p> <p>Sum insured is equal to 2-3 annual salaries.</p>	<p>All staff is covered.</p> <p>Sum insured is equal to 3-5 annual salaries.</p>
<b>Pension Plan</b>	<p>Employers can make contributions to the third pillar.</p> <p>Contribution amounts to the supplementary funded pension are determined by the individual and can be changed at any time. If the contributions to the supplementary funded pension are less than €6,000 or 15% of the gross income per year, contributions are not taxed.</p> <p>This is not a popular benefit. Under 200 employers use this solution as of 2020.</p>	The employer makes agreed-upon contributions to an employee's third pillar fund, usually up to 15% of the monthly salary.		
<b>Personal Accident</b>	<p>This provides death and disability coverage due to professional or extra-professional accidents.</p> <p>It typically also includes a sum insured for trauma coverage (broken bones etc.).</p>	Only senior staff covered.	Only senior staff and employees with the most hazardous jobs are covered.	All staff covered.





## 4. Setting Up Policies

Employers often ask us to comment on how to correctly set up insurance policies in Estonia and about the possible restrictions that could apply. This information is outlined below.

### 4.1 Medical Insurance

- Definition of the plan's design – selection of covers (out-patient, prophylactic medical examination, occupational medical examination, psychiatric and psychological counseling, hospital treatment services, rehabilitation services, dental treatment, cost of glasses and contact lenses, vaccinations, prescription medicines, obstetrical services), its respective annual limits per person and eligibility
- No minimum or maximum group size
- Paperwork
  - Employer must provide employee information, including the number of employees, their personal ID codes, full names, and preferred limits

### 4.2 Life & Disability Insurance

- Definition of the plan's design – selection of covers (death, disability, accidental death, accidental disability), sum insured per person (a multiple of salary), and eligibility
- Paperwork
  - Employer must provide employee information, including the number of employees, personal ID codes, full names, and preferred limits
  - Health questionnaire may be needed

### 4.3 Pension Plan

- Employer organizes third pillar contributions
- Employee must sign up and give pension fund information to payroll, who directs contributions to the third pillar
- For more details and specifics, see the [Pension center's homepage](#)

### 4.4 Personal Accident

- Definition of the plan's design – selection of covers (accidental death, accidental disability, trauma coverage), sum insured per person a multiple of salary and eligibility
- Paperwork
  - Employer must provide employee information including number of employees, their personal ID codes, full names, and preferred limits

## 5. Onboarding and Policy Administration

### Onboarding

In the US, great attention is given to the onboarding process and the choices employees have to make. There is far less emphasis on this process in Estonia because there is little benefit choice, and employees are automatically enrolled in policies.

Employee communication: we can support the following approach to meet client needs:

- Presentations by us and/or the insurers.
- Selection of insurance companies with portals allowing employees to have secure access to benefits data and learn how to use the benefit, particularly in the case of medical insurance

### Policy Administration

As insurance brokers and we provide full policy administrative support. This includes answering any queries, ensuring policies are up to date, and assisting with claims. We base administration on an in-house platform, which gives us the updated status of any process at a given moment.





## 6. Adviser Remuneration

We base our costs on the requirements of the client and the time spent providing that service. Commission payable on insured policies is the typical market practice, but we will be happy to discuss fee or commission options whenever required.

When looking at fees, we consider:

- Time required to set up any new policies
- The total number of policies to manage
- Time required to administer the policies
- Frequency of pre-determined, face-to-face client meetings and conference calls
- Whether there is the need to assist your employees directly
- The size of policies (expected claims volumes) under management

## 7. MAI CEE Contact



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