

# Market and Benchmark Insight Report for Hong Kong – 2021

Competitive benefit norms for mid-market employers in Hong Kong

## Introduction

Ximco is a client-focused full-service insurance brokerage operating in Hong Kong and across the greater-China region. We provide independent employee benefit advice to over 400 Corporate clients, enabling them to select and offer the appropriate employee benefit insurance program to their employees.

This document considers:

- Hong Kong benefits landscape
- The Social Insurance System in Hong Kong
- Typical benefit design and implementation
- Adviser remuneration

We are proud to be an Asinta Partner and hope this document is of use to you.

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## 1. Hong Kong Benefits Landscape

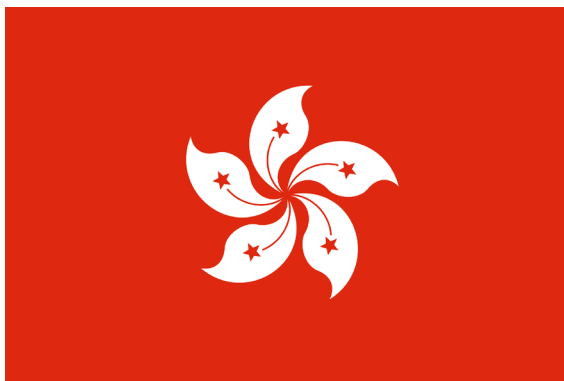
Employee benefits help recruit and retain employees and shape an employers' brand. In Hong Kong, benefit levels vary by sector and salary levels and vary substantially based on a company's attraction and retention goals, benefits philosophy, and corporate culture. However, considering the variability of practices, a few objective factors do help map out some patterns.

### 1.1 Sector & Profession

Benefits vary widely according to industry type. For example, we see more generous benefits for "professionals" such as lawyers, consultants, bankers, and other lucrative professions. On the other hand, non-professional services – such as retail and hospitality sectors benefits are more limited.

### 1.2 Salary & Position

While most companies offer the same level of benefits to all employees (Expats notwithstanding), some will provide a higher tier of benefits to Senior Executives and Technical Professionals.



## 2. Social Insurance in Hong Kong

The Hong Kong Government offers a wide-ranging social "safety net" to its populace. Much of this is financed without payroll taxes and/or levies. However, there are two sets of mandatory benefits that are compulsory by law.

### 2.1 Mandatory Provident Fund (MPF)

The MPF is a compulsory pension scheme established by the Hong Kong government requiring employee and employer contribution into a savings and investment scheme. Employee and employer each contribute 5% salary, capped at HKD 1,500 (corresponding to HKD 30,000 monthly salary). (Also, the employee contribution is waived if the monthly salary is below HKD 7,100). The MPF is most typically managed by one of many authorized financial institutions of which the employer has many choices.

### 2.2 Employee's Compensation Insurance (EC)

The Employee's Compensation Ordinance lays down the rights and obligations of employers and employees regarding injuries or death caused by accidents arising out of and in the course of employment.

At its core, the ordinance establishes that if an employee sustains an injury or dies due to an accident arising out of and in the course of his employment, the employer is in general liable to pay compensation regardless of fault. This 'no fault' principle means that the employer is liable even if some other party is 'at fault,' whether it be the employee's negligence or caused by a third party.

Furthermore, the ordinance states that no employer shall employ any employee in any employment unless Employee's Compensation Insurance (EC) is in force. The minimum insurance cover should be for the following amounts:

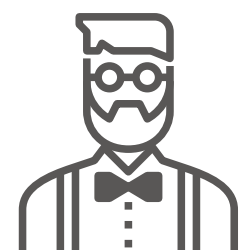
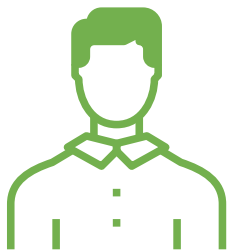
No. of Employees	Limit of insurance cover per event
not more than 200	not less than \$100 million
more than 200	not less than \$200 million



## 3. Insured Benefits – Design and Typical Costs

Below we have shown the most popular insured employee benefits in Hong Kong and typical levels of cover.

Benefit	Comment/Cost	Lower Quartiles Approach	Median Approach	Upper Quartile Approach
<b>Medical Insurance</b>	<p>Medical insurance plan encompassing inpatient hospitalization and outpatient clinical care.</p> <ul style="list-style-type: none"> <li>Plan limits can vary, usually according to sector and salary levels. Lower plan limits would not cover fully private rooms during hospitalization.</li> <li>Common to have Supplementary Major Medical to reimburse additional hospitalization and surgical expense above the plan limits. Usually 80% Reimbursement / 20% Co-Pay.</li> </ul>	Not covered, or only Senior staff covered.	All staff covered.  (Ward and/or semi-private rooms for hospitalization).	All staff and dependents covered  (private rooms for hospitalization).
<b>Accidental Death &amp; Disability</b>	Lump-sum benefit for death and disability coverage due to an accident. Typically often also includes emergency medical treatment expenses.	Not covered, or only senior staff covered.	All staff covered at a limit equal to 24 months average salary.	All staff covered.  Sum insured equal to 36 months average salary.
<b>Life and Total Permanent Disability Insurance</b>	Lump-sum benefit in case of death, accidental death, and disability and usually amount to a multiple of each employee's salary.	Not covered, or only senior staff covered.	All staff covered at a limit equal to 24 months average salary.	All staff covered.  Sum insured equal to 36 months average salary.





## 4. Setting Up Policies

Supplemental medical insurance must be packaged alongside either accidental death & disability or life covers with a licensed life insurer in the province in which the policyholder (the employer) is registered.

- Typically, require 20–30 employees to set up a supplemental medical plan
- The exception being purely private medical plans which can be arranged on a stand-alone basis

Processes vary but typically involve submitting an enrollment application and an employee census. We work with your human resources team to get this completed.

## 5. Onboarding and Policy Administration

### Onboarding

A key element in implementing a new benefits plan (or in the evolution of your existing benefits program) is ensuring that the employee is aware of what has been made available to them. We can support the following approach to meet client needs:

- Staff presentations
- Benefit communication packets including employee handbook
- Access to benefits and claims portals giving employees access to their plan via web-based and mobile apps

### Policy Administration

As advisers, Ximco provides full policy administration support. This includes any queries raised, ensuring policies are up to date, and claims.

Ximco bases the administration on an in-house developed IT platform, which gives us the updated status of any process at any given moment.

For employers, we provide secure access to a web-based portal that is directly connected to our central IT system giving your Ximco broker access to all client insurance policies, invoices, and claims.

## 6. Adviser Remuneration

Ximco bases its costs on the requirements of the client and the time spent providing that service. Commissions payable on insured policies is the typical market practice, but Ximco accommodates fee-based remuneration when preferred.

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. Ximco Global Contact



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