

Market and Benchmark Insight Report for Albania – 2021

Competitive benefit norms for mid-market employers in Albania

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.



Inside

Albania Benefits Landscape	2
Albania Benefits Menu	2
Insured Benefits – Design and Typical Costs	8
Setting Up Policies	9
Onboarding and Policy Administration	10
Adviser Remuneration	10
MAI CEE Group Team	10



1. Albania Benefits Landscape

Employee benefits in Albania are in the beginning stage and considered a new market. However, large companies and foreign companies see benefits as a key factor in recruiting and retaining employees and shaping their brand. In Albania, the employee benefits market consists of three product categories:

- Products designed for protection
- Products designed for personal savings
- Mixed products which include both components

Employee benefits vary substantially based on a company's attraction and retention goals, culture, as well as their 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 and banking sectors, high-tech, telecommunications, and the pharmaceutical industry because there is typically a higher level of HR sophistication. On the other hand, manufacturing, mining, construction, and heavy industry often have a lower appetite for employee benefits.

1.2 Salary Levels

Salary levels will impact benefit provision. For example, you may find only senior managers are provided with supplemental employee benefits in lower-paid industries. In addition, in lower to average paid industries, the benefit levels may vary between managers and staff, with staff plans being more restrictive regarding coverage or sums insured.

Please note that in 2021 the average gross salary in Albania is 60,000 ALL (€480).

The minimum gross salary determined by law is 30,000 ALL (~€250).

1.3 Location

The location of employees can influence benefit provision and salaries. For example, costs will be higher in Tirana or other larger cities such as Durrresi, Vlora than in smaller towns or rural areas.

2. Albania Benefits Menu

Albania has a relatively new employee benefits market and to date is limited to three insurance product categories:

- Products designed for protection
- Products designed for personal savings
- Mixed products that include both components

There is a mandatory payroll tax which the country uses to provide coverage to the entire population. However, the public medical system is underfunded and inefficient, which consistently fails to provide quality care. As a result, more and more of the population look to Private medical care as an alternative.

Products designed for protection

- Life insurance
- Personal accident insurance

There are no mandatory requirements in Albania except for accident insurance for the mining sector.

- Travel health insurance
- Healthcare insurance

The mandatory limit is €48,000; employers cover the policy's cost, the law regulates the scope of cover.

Products designed for personal savings

- Private pension funds, not compulsory

Products designed for both protection and savings

- Long-term life insurance with investment

The following table highlights the range of benefits that are typically available to employees in Albania.

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2.1 Mandatory Employee Benefits

Benefit	Comments
Workers' Compensation	<p>In Albania, the state manages the whole system through funds collected every month from employers and employees. The scheme is compulsory.</p> <p>Albania's Social Insurance Law grants the following compensations in case of:</p> <ul style="list-style-type: none"> • Indemnity for temporary or permanent disability • Death following a work accident • Professional disease <p>Employers liability provides benefits on a facultative basis. Usually, foreign companies buy small and medium-sized limits of €500K–€1M.</p> <p>Premiums related to personal accident insurance are not tax-free. However, the indemnities received following a personal accident claim are tax-free and independent of any other compensation given by the state.</p>
Pensions (Pillars I and II)	<p>The Albanian pension system has three pillars.</p> <p>First pillar – a mandated, unfunded, and publicly managed defined benefit system. This pillar mainly guarantees the protection of the elderly from poverty, which is part of the redistributive function of the state. This scheme's label is 'generation relationship,' as current contributors pay to give benefits to retired citizens. The scheme is a 'pay as you go' model.</p> <p>Second pillar – a mandated, funded, and privately managed Defined Contribution system. This pillar is a combination between a private scheme and the public pension system. It is based on capitalization or redistribution, but it must have a clear separation from the first pillar. Under this scheme, part of the mandatory contribution will be administered by the public scheme's pay-as-you-go method (current scheme: solidarity between generations), guaranteeing a basic pension while private companies administer the rest. These companies pay the pension when the retirement age arrives, based on the paid compulsory contribution along with gains realized over the years.</p> <p>Third pillar – a voluntarily funded and privately managed retirement system. This means that all the people who want higher than normal pensions than normal be part of these schemes. The private pension scheme is still being explored in Albania and needs further reforms to be effective. With this approach, citizens can contribute to this scheme, which is entirely independent, and not under state control.</p> <p>Contribution rates – 21.6% of gross salary, 12.8% by the employer, and 8.8% by the employee.</p> <p>The retirement age is 65 years for males and 60 years and 8 months for females (gradually increasing to meet at 67 years by 2056), with 15 years of contribution.</p> <p>Early pension: A reduced pension may be paid up to three years before the average retirement age, with at least 37 years of contribution (gradually rising by four months a year until reaching 40 years in 2029). The pension is reduced by 0.6 percent for each month claimed before the normal retirement age.</p>



<p>Private Pension</p>	<p>Death and Long-term disability benefits apply as part of the social security for all contributing employees. In case of death, the benefit is payable to the surviving spouse, tutor, or child.</p> <p>Contribution is in the retirement contribution.</p> <p>In 2009, private pension funds began, and the law on voluntary pension funds (no. 10 197, dated 10.12.2009) regulates all activity and operations.</p> <p>The voluntary pension fund is an alternative way to receive income in addition to the guaranteed state pension. This approach helps with financial challenges associated with increasing life expectancy.</p> <p>The private pension system has advantages when compared to the state pension system, including:</p> <ul style="list-style-type: none"> • A better overall benefit • Tax incentives <ul style="list-style-type: none"> - Contributions are tax-deductible for employers and employees - Earnings are not taxed - Annual maximum limit for tax allowances per person is 250,000 ALL
<p>Public System Healthcare</p>	<p>By law, all Albanian citizens have equal access to healthcare in the country. The state controls the public healthcare system, which has three tiers.</p> <ul style="list-style-type: none"> • The first tier corresponds to primary health care, including health, hygiene, maternity and pediatric clinics, health education centers, local emergency rooms, and rural hospitals. • The second tier caters to secondary care consisting of diagnostic and medical services in hospitals and polyclinics. • The last tier administers tertiary care and consists of scientific research medicine, including four national university centers equipped with diagnostic services. <p>According to the law, all citizens with residence in Albania, all foreign citizens, and stateless persons with residence in Albania must participate in, and contribute to, the public health system.</p> <p>Exceptions apply for: children under age 18, and persons under age 26 if in education and do not have income from work; persons with a handicap and who do not have income from employment; persons persecuted by the former communist regime, deported persons, war veterans, and also those who have special rights established by law; retired insured persons who have revenues under the income tax limit; pregnant women and women after childbirth who do not have income from work or have an income lower than the minimum gross national salary; members of a family entitled to social help; individuals receiving unemployment indemnity;</p> <p>individuals on medical leave for temporary disability due to a work accident or professional disease; parents on leave, raising a child up to age two, or age three for children with a handicap.</p> <p>All insured individuals have rights to ambulatory medical services, hospital care, intensive care, dental services, urgent medical services, prescription drugs, preventative services, rehabilitation assistance, prenatal and postnatal assistance, treatment in balneary resorts (bathing), plastic and reparatory surgery, and physiotherapy services.</p> <p>The husband, wife, and parents without their own income and in the care of the insured person are eligible to be added as dependents.</p> <p>Albania's contribution for health insurance is 3.4%, while the social security contribution is 24.5%. The employer pays 16.7% of the contribution, while the employee pays 11.2%.</p>



Paid Time Off	<p>Annual Leave</p> <p>The Albanian labor code governs annual vacations and provides a minimum paid annual leave of no less than four calendar weeks in one year (pro-rata for those who have worked less than one year). To calculate annual leave, sick time is considered as working time. An employer determines when an employee takes annual leave and considers the employee's preferences. The employee is obliged to give the employer at least 30 days prior notice of the dates for his annual leave. Moreover, in cases where the employee receives a salary that includes contribution in kind (e.g., accommodation, food, and travel expenses), a bonus equal to the contribution in kind, e.g., travel expenses for homeward travel, is awarded. A decision of the Council of Ministers sets out the method of calculation for such additional contributions.</p> <p>Under the labor code provisions, "Annual leave must be given during the working year or within the first three months of the consecutive year, but in no case may it be less than one calendar week without interruptions. The right to annual leave which has accrued but has not been (awarded) taken within three years of the date when this right might be enjoyed is subject to a statute of limitations."</p> <p>Public Holidays</p> <ul style="list-style-type: none"> • There are 15 public holidays in Albania. <p>Sick Days/ Short-Term Disability Benefit</p> <p>Employees are generally entitled to 14 days of sick leave, paid at an 80% rate by the employer.</p> <p>Employees who are injured at work can receive compensation from social insurance.</p> <p>Maternity/Paternity Leave</p> <p>Employees are entitled to 365 days of paid maternity leave. The mother takes 35 days before the expected due date and a minimum of 42 days after delivery. After 42 days, the employee can remain on leave or return to work.</p> <p>Women receive 80% of their average daily wage for leave before birth and up to 150 days after delivery. After that, pay is 50% of her average wage for the remaining leave.</p> <p>There is no statutory paternity leave.</p> <p>Employees of either gender with dependent children are eligible for up to 12 days of paid leave to tend to a child. Those with children under the age of 3 are entitled to an additional 3 days. Unpaid leave of up to 30 days per year may also be taken to care for a child.</p> <p>Bereavement Leave</p> <p>Employees receive 2 days of unpaid leave for a death within their immediate family.</p> <p>Marriage Leave</p> <p>Employees receive 5 days leave for their marriage and 2 days for the marriage of a child.</p>
Child Allowance	<p>Parents have a right to a child allowance, payable until age 18. However, if a child is disabled or continues to attend school in a state-recognized education program, benefits can be payable to age 26.</p>



2.2 Supplementary Employee Benefits

In addition to mandatory benefits, employers often provide a range of benefits to help recruit and retain employees. The table below highlights the most common supplementary benefits.

Benefit	Comments
Healthcare/ Private Medical Insurance	<p>Private medical insurance is very popular among Albania employees because the public system is inadequate.</p> <p>Options for coverage include – Outpatient coverage (consults with GP or specialists, lab tests or investigations, high tech imaging), inpatient coverage (room & board, medication/treatment during stay in hospital, surgery + consumable and accessories used in the surgery room), road ambulance/emergency room, medical recovery.</p> <p>Additional coverage includes – maternity (pregnancy monitoring, birth), dental, vision, cancer, and critical illness extensions.</p> <p>Direct subscription to clinics is also a popular complement or even option to medical insurance, focusing on preventive services, but usually without access to hospitals or surgical interventions.</p> <p>By comparison, medical insurance usually offers more comprehensive coverage such as complex investigations, hospitalizations, and birth. Additionally, medical insurance provides access to any private medical facility in Albania with direct settlement or reimbursement for out-of-network services.</p>
Life and Disability Insurance	<p>The primary coverage available is death by any cause (illness, accidents). It is customary to cover 1-2x the employee's annual salary or provide a lump sum insured for the entire group.</p> <p>Customary riders</p> <ul style="list-style-type: none"> • Permanent total or partial disability (illness, accidents), customary to cover a percentage of the same sum insured as death coverage <p>Other available riders</p> <ul style="list-style-type: none"> • Indemnity for critical illness • Daily cash benefit for temporary disability (days of hospitalization and/or ambulatory plus days of convalescence) • Daily cash benefits for medical expenses up to different sub-limits • Indemnity for surgical intervention expenses up to different sub-limits • Indemnity for broken bones (following accidents) • Indemnity for burns (following accidents)



2021 Market and Benchmark Insight

Voluntary Pensions (Pillar III)	<p>Pillar 3 concerns the contribution to voluntary private pension funds, contribution is optional (minimum €10 per person per month, maximum 15% of gross).</p> <p>The plan is defined contribution (DC).</p> <p>Once the contribution plan is set up with the pension fund and employer, the pension fund opens a personal account for each employee to have full access to their net asset balance and the evolution of their funds over the years.</p> <p>As soon as enrollment is complete, the financial flow runs automatically, and the monthly contributions accumulate in the employee's personal account.</p> <ul style="list-style-type: none"> • Contributions are deducted from the employee's income for tax purposes • Profit realized by asset investment is not subject to tax • Employer contributions are tax-deductible expenses • Maximum tax allowance limits for annual contributions are 250,000 ALL per person. <p>The right to voluntary pension opens at the request of the participant, subject to the following cumulative conditions:</p> <ul style="list-style-type: none"> • The participant has reached the age of 60 • At least 90 monthly contributions have been paid • The personal asset is at least equal to the amount required to obtain the minimum voluntary pension provided by the rules adopted by the commission. If under the legislation in force, conditions b) & c) are not fulfilled, the payment of the accumulated asset shall be paid at the age of 60 in the form of a single payment or five annual installments. <p>As of 2020, there are 3 pension funds available for Pillar III pensions on the local market, and the law strictly regulates plan structures.</p>
Company Cars	<p>A small number of employees may receive company-financed cars and/or fuel or an allowance in lieu. For example, in a work environment where employees travel on business, you may see either company cars provided or a car allowance paid.</p>
Meal Allowance Cards	<p>Not a common benefit</p>
Childcare	<p>Allowance or in-house facilities</p>
Other Benefits	<ul style="list-style-type: none"> • Performance bonus, holiday bonus • Gym membership • Transportation benefits – company bus, public transport allowances, bike allowances, fuel allowance, and parking space • Workplace canteens • Professional training and certification programs, participation in conferences and seminars • Increased annual leave days • Discounts on company products, if applicable
Work from Home	<p>An increasing number of employers, particularly in the technology sector, offer working from home as a benefit.</p>
Workplace Canteens	<p>Not usual</p>

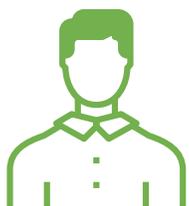
When designing your benefits, you need to consider your sector, employee census data, and objectives. As advisors, we will help you develop a benefits package that works for you and is within your budget.



3. Insured Benefits – Design and Typical Costs

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

Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
Medical Insurance	<p>The most valued benefit by employees.</p> <p>Direct settlement: Employees have access to the network of healthcare providers of the insurance company by their ID card.</p> <p>Reimbursement: More comprehensive plans also allow access to out-of-network via reimbursement of expenses.</p>	Only employees are covered.	Family members (spouse and children) can be also covered but at employee's expense.	All staff and dependents covered at the employer's expense.
Life & Disability Insurance	<p>Typically, group life insurance schemes include lump sum benefits in case of death by any cause, accidental death, and disability and usually amount to a multiple of each employee's salary.</p> <p>Various additional riders can be added. For example, when the budget does not allow for separate medical insurance, employers add medical expense riders.</p> <p>The insurance premium bears the tax on income and social contribution as on any other type of employee benefit.</p> <p>Insurance indemnities are tax-free.</p>	<p>Only senior staff covered.</p> <p>Sum insured equal to 1 annual salary.</p>	<p>All staff covered.</p> <p>Sum insured equal to 1 annual salary.</p>	<p>All staff covered.</p> <p>Sum insured equal to 2 annual salaries.</p>
Pension Plan	<p>This is a defined contribution scheme that pays out via a lump sum.</p> <ul style="list-style-type: none"> • The contribution for the private pension is deducted from the employee's personal income for tax purposes. • The profit realized by asset investment is not subject to tax. • Employer contributions are tax-deductible expenses. • The annual contribution maximum limit for tax allowances is 250,000 ALL per person. 	Contribution equals 1% or 2% of each employee's salary.	Contribution equals 3% or 4% of each employee's salary.	Contribution equals 5% or more of each employee's salary.
Personal Accident	Personal accident insurance covers death and disability due to professional or extra-professional accidents.	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 policies need to be set up in Albania and possible restrictions that could apply. This information is outlined below.

4.1 Medical Insurance

- Definition of the plan's design – selection of covers (in-hospital, outpatient, dental, vision, maternity, medical recovery, and other secondary supplemental covers), its respective annual limits per person, and eligibility
- Most commonly provided for access in Albania only
- Group cover available for groups of 5+, tailor-made plans usually available for 25+
- Paperwork
 - Employer must complete and sign a specific form
 - For GDPR compliance, employer must have an employee's agreement to process personal data
 - Employer must collect employee agreements for salary deductions, should they support any part of the cost (for example, in the case of family members)
 - Employees must complete and sign a specific form with their personal data and a health questionnaire
 - For larger populations, it is enough to fulfill a specific Excel spreadsheet with the employees' data (and their dependents if applicable) without medical questionnaires

4.2 Life & Disability Insurance

- Definition of the plan's design – selection of covers (death, disability, accidental death, accidental disability, critical illness, medical expenses, fractures/burns, short-term disability), sum insured per person (a multiple of salary or fixed lump sum for all) and eligibility
- Most common to insure either a fixed lump sum for the group or base salary and not bonuses or other remuneration

- Paperwork
 - Employer must complete and sign a specific form
 - GDPR compliance – employer must have employee's agreement to process their data
 - Employees must complete and sign a specific form with their personal data and a health questionnaire and identification of their beneficiaries
 - For larger populations, it is enough to fulfill a specific Excel spreadsheet with the employees' data (and their dependents if applicable) without medical questionnaires

4.3 Pension Plan

- Definition of the plan's design – amount of the contribution (a percentage of salary), eligibility
- Paperwork
 - Employer must complete and sign a specific form
 - GDPR compliance – employer must have employee's agreement to process their data
 - Employees must complete and sign a specific form with their personal data and identification of their beneficiaries in case of death

4.4 Personal Accident

- Definition of the plan's design – selection of covers (accidental death, accidental disability, treatment expenses, funeral expenses, and other secondary supplemental covers), sum insured per person, a multiple of salary, and eligibility.
- Paperwork
 - Employer must complete and sign a specific form
 - GDPR compliance – employer must have employee's agreement to process their data
 - Employees must complete and sign a specific form with their personal data and a health questionnaire and identification of their beneficiaries
 - For larger populations, it is enough to fulfill a specific Excel spreadsheet with the employees' data (and their dependents if applicable) without medical questionnaires



5. Onboarding and Policy Administration

Onboarding

Employees are usually automatically enrolled into policies based on monthly census data provided via a spreadsheet. Enrollment usually applies on the 1st of the month; granted, census data is available up to 10 days prior.

We can support the following approach to meet client employee communication needs:

- Staff presentations (online or on-site)
- Benefit communication support materials, including leaflets, brochures, and other support materials
- Dedicated account managers and support info-line – information on available benefits, guide through access procedure, support claims process
- 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 advisers, we provide full policy administrative support, including:

- Plan design and benefits review
- Multivendor analysis reports and contract negotiation
- Full policy documentation/paperwork
- Billing/payments
- Enrollments/exits management
- Reports on plan utilization, key market trends, and compliance updates
- HR and employee issue resolution support

6. Adviser Remuneration

We base our costs on the requirements of the client and the time spent providing that service. Commissions payable on insured policies are 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 directly assist your employees
- The size of policies (expected claims volumes) under management

7. MAI CEE Contact



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