

Market and Benchmark Insight Report for Romania – 2021

Competitive benefit norms for mid-market employers in Romania

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. Romania Benefits Landscape

Employee benefits are important in Romania because they help recruit and retain employees and shape an employer's brand. 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 services, high-tech, professional services, and retail sector, which are also areas where qualified employees are in high demand. However, in the production 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 are provided with supplemental employee benefits. In lower to average paid industries the benefit levels may vary between managers and staff, with staff plans being more restrictive regarding cover or sums insured.

Please note that in 2021 the average gross salary in Romania is 5380 RON (~€1100).

The minimum gross salary determined by law is 2300 RON (~€470).

1.3 Location

Employees' location can influence benefit provision and salaries. For example, costs will be higher in Bucharest or other larger cities such as Timisoara, Lasi, or Cluj-Napoca and, on a slightly lower level, in smaller towns or rural areas.

2. Romania Benefits Menu

Romania has a program for universal health insurance. 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.

Health insurance is the most valued and popular employee benefit in Romania, and it seems that it will continue to be, along with life insurance solutions.

Similarly, there is a mandatory payroll tax for social security, including pre-defined contributions to pensions (Pillar 1 = mandatory contribution public pensions and Pillar 2 = mandatory contribution to private pensions).

While less popular than health plans, additional voluntary pension schemes (Pillar 3) are increasingly offered by companies because older employees value them.

The range of benefits typically available to employees in Romania is as follows.





2.1 Mandatory Employee Benefits

| Benefit | Comments |
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| Workers' Compensation | <p>Romania's government manages the whole system through funds collected monthly from the employers and the employees.</p> <p>According to the Law 346/2002, the public system grants the following compensations in case of work accidents and/or professional diseases:</p> <ul style="list-style-type: none"> • Indemnity for temporary or permanent disability • Death following a work accident • Indemnity for loss of body integrity • Indemnity for a temporary change of the current job due to work accidents/professional disease <p>For personal accidents and professional diseases, there are also facultative insurance products available and the benefits offered by the state system.</p> <p>There isn't any workers' compensation facultative insurance product in place due to the lack of legislation in this field.</p> <p>Premium related to personal accident insurance is not tax-free from the fiscal point of view. Still, the indemnities received following personal accident claims are tax-free and independent from any other compensation given by the state.</p> |
| Pensions (Pillars I and II) | <p>For the time being, there are three pension schemes in place in Romania.</p> <ol style="list-style-type: none"> 1. Pillar 1 – mandatory contributions to the public pension system (21.25% for employees as of Jan. 1, 2018). For normal working conditions, the employer contribution is 0%. However, the employer would be required to contribute 4% or 8% for difficult working conditions. 2. Pillar 2 – mandatory contribution to private pension funds (3.75% for employees as of Jan. 1, 2018). 3. Pillar 3 – voluntary private pension funds where the contribution is optional (see the supplementary employee benefits section). <p>For Pillars 1 and 2, pension contributions are paid by employers to the state and are not something that Romanian citizens usually contribute to directly. Employers deduct these contributions from salary and pay them monthly. Calculation of income tax is after deducting social contributions from the gross salary.</p> <p>Income from a pension can start as early as age 60. Individuals who have completed a minimum contribution period of at least 15 years are eligible for pension benefits. The complete period is 35 years for men and women.</p> <p>For Pillar 1 pensions, the current pension point value is 1,442 RON, as of January 1st, 2021. Calculating the average lifetime-accumulated number of pension points (average rating) by the pension point value determines the benefit.</p> <p>The Pillar 2 private fund option belongs to the employee, and the employer still makes the payment. Participation in the Pillar 2 pension is compulsory for all employees below age 35 who are insured for the first time or contribute to the public fund. It is optional for employees up to age 45 who contribute to the public retirement fund.</p> <p>Death and long-term disability benefits apply as part of social security for all contributing employees. In the case of death, the benefit is payable to the surviving spouse, guardian, or child.</p> <p>Contribution is in the retirement contribution.</p> |



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| Public System Healthcare | <p>According to Law 95/2006, all citizens with residence in Romania and all foreign citizens and stateless persons with residence in Romania 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 disability and who do not have income from work; 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; individuals on medical leave for temporary disability due to a work accident or professional disease; parents on leave, raising a child up to age 2, or age 3 for children with a disability.</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, 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>Contribution is 10% of gross salary for employees.</p> |
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| Paid Time Off | <p>Annual Leave Twenty days is the minimum holiday guaranteed by law per year, pro-rated with the worked period. The standard market practice is 21 days.</p> <p>Public Holidays There are 18 public holidays.</p> <p>Sick Days/ Short-Term Disability Benefit Sick leave is paid only if the employee has a minimum contributory period to the Health House for the prior six months, based on a medical certificate issued by a physician. The employer pays the first five calendar days. From the 6th day, the medical allowance is supported by the National Health Fund. In practice, the employer is also paying the amount supported by the National Health Fund and then requests the reimbursement of the amount from the Health House. In the case of sick leave allowance, the payment percentage ranges between 75% and 100% of the calculation base (average of the employees' monthly gross wages during their last six months prior to the month the medical leave is granted). The benefit is payable up to 180 days; if the disability is prolonged, a long-term disability pension is proposed. Contribution to social security is 2.25% of gross salary with no ceiling.</p> <p>Maternity Leave Maternity leave is 126 calendar days (usually 63 days before + 63 days after the child's birth). It represents 85% of the calculation base (average of the employee's monthly gross wages during her last six months prior to the month the maternity leave started). The maternity leave is granted based on the medical certificate issued by the physician. Insured individuals can also take medical leave days each year as follows:</p> <ul style="list-style-type: none"> • 45 days to care for their sick children up to age 7, or disabled children up to age 18 • Up to 90 days to care for children with contagious diseases or paralysis <p>The National Health Fund grants the maternity allowance. However, in practice, the employer pays the maternity leave. Afterward, the employer requests reimbursement for the amount from the Health House.</p> <p>Paternity Leave Fathers are entitled to 5 days of paid maternity leave and can be used until the child reaches the age of 8 weeks. If the father chooses to participate in childcare courses, leave can be extended for an additional ten days. This extension can only be used once.</p> <p>Parental Leave Parental leave entitlement lasts until the child is two years old. In the case of a disabled child, leave is until the child is three years old. The payment is made directly by the state institution and represents 85% of the employee's average revenues during their last 12 months of activity. During this period, the employment contract is suspended, and the company can hire another employee for the same position, but only on a temporary employment contract, and cannot terminate the parent employee.</p> <p>Other Leave</p> <ul style="list-style-type: none"> • Bereavement Leave – 3 days of paid leave is granted to an employee who has had a death within their immediate family (spouse, child, parents, in-laws), and 1 day of paid leave is granted to an employee who has had a death of their grandparents or siblings. • Marriage leave – 5 days is granted for an employee's marriage and two days for the marriage of a child. • Blood donation leave – 1 day of paid leave is granted. • Changing the job within the same company, moving to another locality – 5 days paid leave. • The preparation and support of the diploma thesis in higher education – 30 days unpaid leave. |
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| Child Allowance | <p>Parents have a right to a child allowance, payable until age 18. If a child is disabled or continues to attend school in a state-recognized education program, benefits can be payable to age 26.</p> <p>The state child allowance is not taxable. Its monthly value as of January 1st, 2021, is:</p> <ul style="list-style-type: none"> • RON 214 for children age 2 up to 18 (or 3 and above, if disabled) • RON 427 for each child up to age 2 (or up to age 3, if disabled) <p>State budget allocations fund child allowances.</p> <p>The government plans to increase the allowances in 2022, up to 300 RON and 600 RON, respectively.</p> |
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2.2 Supplementary Employee Benefits

In addition to the mandatory benefits, employers will often provide a range of benefits to help recruit and retain employees. The most common benefits are shown below.

| Benefit | Comments |
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| Healthcare/ Private Medical Insurance | <p>Because of the inadequacy of the public health system, employees highly value employer-sponsored health insurance. We recommend providing it.</p> <p>Outpatient coverage can include consultations with a GP or specialists, lab tests or investigations, and high-tech imaging. Inpatient coverage can include room and board, medication/treatment during the hospital stay, surgery (including consumables and accessories used in the surgery room), road ambulance, emergency room, and medical recovery.</p> <p>Health plans can also include maternity (pregnancy monitoring, birth), dental, vision, cancer and critical illness extensions, etc.</p> <p>Direct subscription to clinics is also a popular complementary or even alternate option to a medical insurance plan. It has more focus on preventative services, but usually without access to hospitalization or surgical interventions.</p> <p>By comparison, medical insurance usually offers more comprehensive coverage such as complex investigations and hospitalization, and birth. Additionally, medical insurance offers access to any private medical facility in Romania with direct settlement or reimbursement for out-of-network services.</p> |
| Life and Disability Insurance | <p>Typical and available coverage is death by any cause (illness, accidents). It is customary to cover 1-2x the employee's annual salary or 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) |



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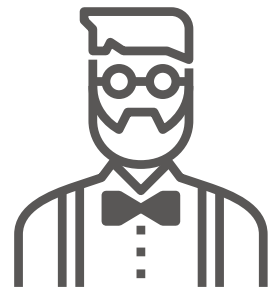
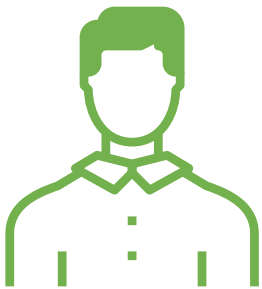
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| Voluntary Pensions (Pillar III) | <p>Pillar 3 concerns the contribution to voluntary private pension funds. Contribution is optional (minimum €10/person/month, maximum 15% of gross).</p> <p>The plan is defined contribution (DC).</p> <p>Once the contribution plan is set up with the pension fund, and with the employer, the pension fund opens a personal account for all employees so that the individual has full access to its net asset balance and the evolution of its funds over the years.</p> <p>When enrollment is complete, the financial flow runs automatically. The monthly contributions accumulate into the employee's personal account.</p> <p>For private pension plans, which are still not widely implemented, the contributions are split between the employee and company, with the company usually paying 50% to 100% of the contribution.</p> <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) and c) are not fulfilled, and 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 10 pension funds available on the local market applicable for Pillar 3 pensions. The plan structure is strictly regulated by law.</p> |
| Company Cars | <p>A small number of employees can be provided with company cars and/or fuel or an allowance in lieu.</p> <p>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>A prevalent 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 |



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| Work from Home | <p>Especially in the COVID-19 context, an increasing number of employers have been creating working models that include the possibility of employees working from their homes, where the activity model allows. There is a clear tendency to maintain the practice long-term, particularly in the technology sector.</p> <p>A new law, applicable as of Jan. 2021, allows for employers, should they choose, to grant up to 400 RON/month to employees to cover costs related to working from home, such as electricity and utilities.</p> <p>Employees do not have to present supporting documents.</p> <p>Employers must consider that these amounts are not taxable and are not included in the monthly basis for calculating social security contributions. These expenses are deductible for determining the taxable profit.</p> |
| Workplace Canteens | <p>This benefit is common with larger employers and particularly in industrial facilities. Food is provided at a discounted rate and can include breakfast and lunch.</p> |

When designing your benefits, you need to consider your sector, employee census data, and objectives. As advisors, we will help you design employee benefits that work for you and are within your budget.





3. Insured Benefits – Design and Typical Costs

The table below highlights the most popular insured employee benefits in Romania and their 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> <p>The contribution for medical insurance is considered tax-free for the employer up to the limit of €400 per year/per person and the employee up to the limit of €400 per year/per person.</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 employer's expense. |
| Life & Disability Insurance | <p>Typically, group life insurance schemes include lump sum benefits in 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. Medical expense riders often are added when the budget does not allow for separate medical insurance.</p> <p>The insurance premium bears the tax on income and social contribution 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>Defined contribution scheme.</p> <p>Pay-out via a lump sum.</p> <p>For Pillar 3 pensions, the contribution is considered tax-free for the employer up to €400 per year/per person and the employee up to the limit of €400 per year/per person.</p> | 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 | Death and disability coverage 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 are set up in Romania and possible restrictions that could apply.

4.1 Medical Insurance

- Definition of the plan's design – selecting 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 Romania only.
- Group cover available for groups of 10+, tailor-made plans usually available for 50+.
- Paperwork
 - The employer must complete and sign a specific form.
 - GDPR compliance – the employer must have an employee's agreement to process personal data.
 - The employer must collect employee agreements for salary deductions, should they support any part of the cost (for family members, for example).
 - 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 sheet with the employees' data (and one of their dependents, if applicable), without medical questionnaires needed.

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, etc.), sum insured per person (a multiple of salary or fixed lump sum for all) and eligibility.
- Insuring either a fixed lump sum for the group or base salary and not bonuses or other remuneration is the most common.
- 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 identify their beneficiaries.
- For larger populations, it is enough to fulfill a specific Excel sheet with the employees' data) without medical questionnaires needed.

4.3 Pension Plan

- Definition of the plan's design – the contribution amount (a percentage of salary), eligibility, etc.
- Paperwork
 - Employer must complete and sign a specific form.
 - GDPR compliance – the employer must have the employee's agreement to process their data.
 - Employees must complete and sign a specific form with their personal data and identify 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 salary), and eligibility.
- Paperwork
 - Employer must complete and sign a specific form.
 - GDPR compliance – The employer must have the employee's agreement to process their data.
 - Employees must complete and sign a specific form with their personal data and a health questionnaire and identify their beneficiaries.
 - For larger populations, it is enough to fulfill a specific Excel sheet with the employees' data) without medical questionnaires needed.



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 starting with the 1st of the month, granted census data is available up to 10 days prior.

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

- 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, a guide through access procedure, the support claims process)
- Insurance company portals, so employees have secure access to benefit data, particularly for medical insurance

Policy Administration

As advisers, we provide full policy administration support, including:

- Plan design and benefits review
- Multivendor analysis reports and contract negotiation
- Entire 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 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 directly assist your employees
- The size of policies (expected claims volumes) under management

7. MAI CEE Contact



Natalia Zaborovska
Group Network Director
MAI CEE

M: +61 44 777 9001

M: +371 292 595 81

n.zaborovska@mai-cee.com



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