

Market and Benchmark Insight Report for Ukraine – 2021

Competitive benefit norms for mid-market employers in Ukraine

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. Ukraine Benefits Landscape

Health insurance is an essential employee benefit in Ukraine. It is considered equally important for both blue- and white-collar workers despite the difference between the two workforces. State-provided medical care is free of charge, including free services at primary and secondary medical levels and declarations with family doctors for payable services by the National Health Center. However, the state-run medical system is often not sufficient, private medical care is expensive, and the price of medicine is rising.

The Ukraine benefits landscape usually depends on the industry type and the company's goals for employee retention. Also, the benefits package can differ depending on seniority or position in the company.

Industry Type

The most robust benefits packages for high-tech companies include extended medical and life insurance and lots of perks like gym memberships, education, meal allowances, and commuting benefits. The consulting and financial sectors offer similar benefits, but retail sector benefits, for example, are more limited. Nevertheless, most multinational companies try to provide some benefits to employees.

Seniority and position in the company

Different levels of coverage for different categories of employees (blue- and white collars) is standard practice. Also, extended benefits based on seniority (like a dental rider or some preventative options) are made available on occasion.

2. Ukraine Benefits Menu

The state social security system provides mandatory employee benefits in Ukraine. They include pension benefits, unemployment, death, and short-term and long-term disability resulting from occupational illnesses or personal accident.

Supplementary employee benefits in Ukraine include life insurance, medical (health) insurance, personal accident insurance, and retirement. In addition, perks include employer subsidies for gym memberships/sports, training/education, health days, to critical illness coverage.





2.1 Mandatory Employee Benefits

Benefit	Comments
Pension	<p>The Ukrainian pension system is based only on the level 1 pension provision and is 'pay as you go' (PAYG). Unfortunately, this system does not guarantee a sufficient pension provision, especially considering the nation's aging and the decrease in the working population.</p> <p>Six years ago, the pension age was increased to age 60. However, in 2017 the 'modernization' of the pension calculation included an increase in length of pensionable service, which is 28 years in 2021 and not less than 35 years by 2028.</p> <p>Further changes, like implementing the secondary accumulative pension level, are also planned by the government.</p>
Legislation Leaves	<p>Payments, which are called 'vacation pay,' is the salary for vacation days. They provide employees with annual leaves (main and additional) to preserve their position and compensation for the period (average salary).</p> <p>Employees receive annual basic leave for at least 24 calendar days during the year. The employment contract's conclusion date determines when this benefit becomes available to an employee.</p> <p>In addition, for specific categories of employees, the duration of annual basic leave may be established by special legislation. Still, the length of their leave may not be less than 24 calendar days, and for people with disabilities (groups I & II), leave is not less than 26 calendar days. For people with disabilities (group III), leave is not less than 30 calendar days, and for people under 18 years of age, leave is not less than 31 calendar days.</p> <p>Along with the annual basic leave, the labor code also provides for additional yearly leave for:</p> <ul style="list-style-type: none"> • People who work with harmful substances or in difficult working conditions • Specialized industries/work • Other additional leave provided by law <p>Note: The total duration of the annual main and additional vacation may not exceed 59 calendar days. For employees engaged in underground mining, it is 69 calendar days</p>
Paid Time Off	<p>Maternity Benefits</p> <p>Maternity benefits are assigned for the entire period of the maternity leave, provided the benefit application's submission took place no later than 6 months from the end of this leave. The total duration of maternity leave is 126 days (70 calendar days before delivery and 56 days after).</p> <ul style="list-style-type: none"> • To receive maternity benefits, an employee must get an issuance of sick leave that follows established procedures. • The benefit amount is calculated based on the average salary for the previous 12 months. • These benefits are covered by the state's social security fund and are paid by the employer. • In addition to maternity leave benefits, the state assists with costs associated with childbirth. In 2020, for example, UAH 10,320 was paid immediately, and after that, UAH 860 was paid each month for 3 years. <p>In addition, the family receives a 'baby package' of UAH 5,000 as a way to support the child's care.</p> <p>Parents may also be able to use vacation for childcare (up to 3 years) by saving their vacation time. However, this is unpaid leave.</p> <p>As of April 2021, fathers receive 14 days of paternity leave. Grandmothers or grandfathers receive the same leave if supporting a single parent.</p>



Employment Insurance	<p>Employers pay state social security payments for employees through a unified social tax of 22% from salary. This tax provides coverage for the pension system, unemployment benefits, and short-term and long-term disability benefits.</p> <p>Short-term Disability</p> <p>These work-related benefits are 100% of the average salary per day of disability. The employer pays the first 5 days, and the state fund pays the rest. If the disability is not work-related, the payment amount depends on the employee's length of service.</p> <p>Long-term Disability</p> <p>The amount of compensation for work-related long-term disability depends on the level of disability and the average salary or minimum income. The spherical disability state commission determines the disability level.</p> <p>Unemployment Insurance</p> <p>Compensation from the state fund for unemployment depends on the length of service, the average salary of the person before unemployment, and the reason for unemployment. This compensation can also be provided as one single payment.</p>
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2.2 Wider Benefit Provision

The Ukrainian government's social guaranties are not sufficient enough to ensure the minimum standard of living. In addition to this, the process of obtaining benefits is rather bureaucratized. This shortfall is why employee benefits are important in retaining your employees in Ukraine.

Benefit	Comments
Medical (Health) Insurance	<p>There is no obligatory state medical insurance. Medical help is free of charge in theory, but in practice, there are many out-of-pocket expenses with the state system, or you need private insurance to pay medical bills.</p> <p>Voluntary Medical Insurance</p> <p>This is a prevalent solution to provide a sufficient level of medical help for employees. It is primarily available in the form of group medical insurance for corporate clients. Medical insurance for individuals is less affordable.</p> <p>Typical medical insurance plans include:</p> <ul style="list-style-type: none"> • Out-patient treatment • In-patient treatment • Emergency care • Providing with medicines • Dental care <p>Additional options include treatment of critical illnesses, preventative check-ups, vaccination, maternity benefits, etc.</p> <p>The employer usually pays premiums, and costs depend on group size, the level of clinics covered (state/departmental, different levels of private clinics), and the scope of the medical plan.</p> <p>Territory of coverage – Ukraine</p>



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Group Life Insurance	<p>Scope of coverage:</p> <ul style="list-style-type: none"> • Death resulting from any reason (PA or illness) • Disability for groups I, II, and III (permanent disability) • Injuries and traumas (percentage of compensation according to the table of traumas) or temporary disability (a fixed percentage of compensation per day of disability) • Critical illnesses (e.g., cancer, heart attack, stroke), from 6 to 32 illnesses <p>Premiums are usually paid by the employer, and costs depend on group size, occupation, gender, and each employee's age.</p> <p>Territory of coverage – Ukraine or worldwide.</p> <p>Limits – salary-based (usually 1- or 2-times annual salaries) or fixed amounts.</p>
Personal Accident Insurance	<p>Territory of coverage: Ukraine or worldwide.</p> <p>Period of coverage: 24 hours a day (preferable) or working hours only.</p> <p>Limits: salary-based (usually 1- or 2-times annual salaries) or fixed amounts.</p> <p>Scope of coverage:</p> <ul style="list-style-type: none"> • Death as a result of personal accident. • Invalidity of I, II, and III groups (permanent disability) • Injuries & traumas (with % of compensation according to the table of traumas) / Temporary disability (fixed compensation percentage per day of disability) <p>Premiums are usually paid for by the employer and depend upon group size and employee occupation.</p>
Business Travel Insurance	<p>This insurance has a few forms, including single policies or separate corporate business travel insurance policies.</p> <p>Scope of coverage:</p> <ul style="list-style-type: none"> • Medical costs • Personal accidents • Assistance • Third-party liability • Baggage insurance • Financial risks (trip cancellation) • Business travel within Ukraine
Retirement	<p>Long-term Life Insurance</p> <p>This insurance is available, but it is not common to offer it. For tax benefit purposes, the coverage should be in the form of additional pension insurance, which has many requirements according to the law that includes:</p> <ul style="list-style-type: none"> • A minimum period of coverage (until official pension age +/- 10 years) • No prior cancellation (except for death, disability, critical illness, or moving abroad) • Only the insured employee or dependents are beneficiaries • Employer taxation through a unified social tax of 22%, personal income tax of 18%, and military tax of 1.5%



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Employee Perks	<p>Some perks are offered as part of a voluntary medical insurance plan, which can include:</p> <ul style="list-style-type: none">• Coverage of exclusions in the agreement (has certain corporate limits and could include things like prosthetic devices)• 'Health Days' which are preventive health check-ups in the office• Wellness benefits including access to swimming pools, gyms, or gym membership subsidies• Lectures by doctors or first aid training workshops in the office• A separate insurance product called 'worldwide medicine' covering a certain limited number of critical illnesses (cancer, coronary artery bypass surgery, heart valve replacement or repair, neurosurgery, live-donor organ/tissue transplant in the leading specialized clinics outside Ukraine) <p>Other popular perks usually offered as non-insurable benefits are education, meal allowance, transport, or commuting. The structure of such perks and benefits is changing due to COVID-19 and remote work.</p>
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When designing your benefits plan, you need to consider your sector of business activity, employee census data, and objectives. As advisors, we will help you design benefits that work for you and are within your budget.

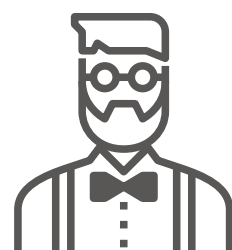
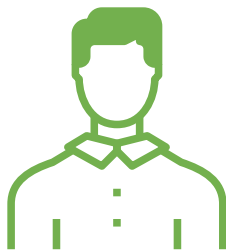




3. INSURED BENEFITS – DESIGN AND TYPICAL COSTS

The most popular insured employee benefits in Ukraine are highlighted in the table below.

Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
Medical Insurance	The most valued benefit by employees and the most offered by employers. Employees have access to the insurance company's network of healthcare providers. The typical plan includes out-patient, in-patient, ambulance, dental (preferred rider), and some additional options (like critical illnesses, preventative check-ups, and extended coverage of some illnesses).	Only employees are covered.	Family members (spouse and children) can be also covered but at employee's expense.	All staff and dependants covered at employer's expense.
Life & Disability Insurance	Typically group life insurance schemes include lump sum benefits in the case of death (accidental or from any cause), permanent disability (or invalidity for Ukraine's disability groups I, II, and III), traumas and injuries (temporary disability), critical illnesses (as an extended rider). Coverage usually amounts to a multiple of each employee's salary.	Only senior staff covered. Sum insured equal to 1 annual salary.	All staff covered. Sum insured equal to 1 annual salary.	All staff covered. Sum insured equal to 2-2 annual salaries.
Personal Accident	Close to life and disability coverage, but excludes coverage of death from 'any cause' and critical illnesses rider.	Only senior staff covered or coverage only during working hours.	Only senior staff and employees with the most hazardous jobs are covered.	All staff covered 24/7.





4. Setting Up Policies

The following information outlines good market practices for setting up insurance policies in Ukraine.

4.1 Medical Insurance

- Definition of the plan's design – selection of covers (in-hospital, out-patient, dental, vision, prescriptions, maternity, and other options), respective annual limits per person, and eligibility.
- Some insurers offer flexible group plans starting from minimum groups of 15-20 employees.
- Coverage for employees and individual contractors has different approaches in administering the policy (single corporate policy for legal entities or individual policies/public offer for individual contractors).
- Paperwork
 - No medical questionnaire required for group plans (sometimes for dependents or employees over age 60)
 - All documents flow through the broker (i.e., policy documents, addendums)

4.2 Life & Disability Insurance

- Definition of the plan's design – selection of covers (death, disability, traumas and injuries, critical illnesses), sum insured per person (a multiple of salary), and eligibility.
- Insuring base salary, and not bonuses or other remuneration, is the most common.
- Paperwork
 - No medical questionnaire required for group plans (>10-15 insured persons)
 - Medical questionnaires or check-ups potentially required for life coverage (small groups or high limits)
 - Beneficiary application from the employee
 - All documents flow through the broker (i.e., policy documents, addendums)

5. Onboarding and Policy Administration

Onboarding

Each company has its own rules related to onboarding and eligibility for an insurance benefits plan. The general market practice is for employees to automatically enroll in a life insurance plan on the first day (if the company provides such a benefit). For medical plans, employees usually join the plan after a 2-3 month probation period.

We can support employee communication for the HR team with the following:

- Staff presentations
- Benefit communication packets

Policy Administration

As advisers, we provide complete policy administration and support, including help with any queries, ensuring policies are up to date, and claims assistance.

We have a medical expert (practicing doctor) in our company who helps us resolve any disputable claims issues with insurance companies. We also offer a separate manager for the client, who is in constant contact with your HR team and employees with questions.

6. Adviser Remuneration

Insurance companies remunerate brokers in Ukraine with commissions. These costs are considered standard business costs for the insurance company.

7. MAI CEE Contact



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