

# Market and Benchmark Insight Report for China — 2021

Competitive benefit norms for mid-market employers in China

## Introduction

Ximco is a client-focused full-service insurance brokerage headquartered in Shanghai. We provide independent employee benefit advice to over 400 Corporate Clients in China, enabling them to select and offer the appropriate employee benefit insurance program to their employees.

Founded in 1996, Ximco has been at the forefront of risk and insurance services in China before insurance intermediaries. Our bi-lingual staff adheres to the highest standards of professional service, capable of helping overseas brokers, consultants, and clients navigate the Chinese marketplace.

This document considers:

- China benefits landscape
- The Social Insurance System in China
- 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. China Benefits Landscape

Employee benefits help recruit and retain employees and shape an employers' brand. In China, 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 and 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.

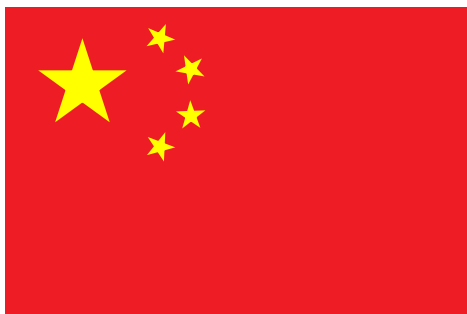
### 1.2 Salary and Position

While most companies offer the same level of benefits to all employees (expats notwithstanding), some provide a higher tier of benefits to senior executives and technical professionals.

### 1.3 Headcount

Comprehensive benefit programs are usually feasible only when there are more than 20 to 30 employees. Due to underwriting concerns and the small amounts of premium per individual, insurance providers need to hit a minimum threshold which averages around 20 to 30 employees.\*

\*NOTE: The exception would be for small employers in sectors offering very generous benefits. A small law firm or consulting firm could provide benefits at a smaller headcount, but that is because they are paying much higher premiums per person.



## 2. Social Insurance in China

The State Social Insurance System is the basis for mandatory benefits in China. It is a state scheme without any involvement from the commercial insurance sector, and the municipal government administers it.

Both the employer and employees contribute to social insurance in proportion to salary (percentages vary by municipality, and the maximum contributions are capped). When first hiring staff, a company enters into these social insurance arrangements by submitting labor and social insurance notifications to the relevant authorities.

### 2.1 Social Medical Insurance Scheme

The Social Medical Insurance Scheme underlies almost the entire healthcare system in China. It is made up of predominately state-owned hospitals. However, it increasingly includes privately-owned hospitals and clinics that also tap into the 'infrastructure' of Social Medical Insurance to reach the masses of the population who participate in the scheme.

The Social Medical Scheme effectively operates with greater levels of individual co-payment for typical clinical visits and general outpatient care. Where inpatient care, surgery, and/or complex and expensive treatments are necessary, the social scheme will begin to bear a more significant share of the costs.

### 2.2 Work-Injury and Disability Benefits (a.k.a. Workers' Compensation)

Any employee who suffers an injury or contracts a defined occupational disease during work, work-related travel, or commute during work is entitled to 'Work-Injury and Disability Benefits.'

In such cases, the employer is obligated to provide full salary and benefits during the period of recovery from injury. If the employee suffers permanent disability, the employer is obligated to offer continuous employment until the employee voluntarily decides to terminate their employment. Upon voluntary termination of employment, the employer is obligated to provide a one-time disability compensation payment according to the local compensation scale, which varies for each city.



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Social insurance also provides for medical expenses, death, and disability benefits.

NOTE: An employer's liability insurance policy can cover these employer obligations.

## 2.3 Unemployment Benefit

Monthly compensation for unemployment is based on local, regulated standards. It provides:

- Continued participation in social medical insurance scheme
- Lump-sum death benefits for the employee's dependents
- Occupational training allowance, job introduction allowance, etc.

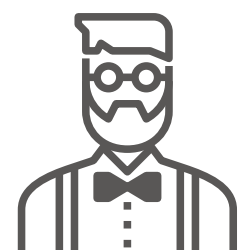
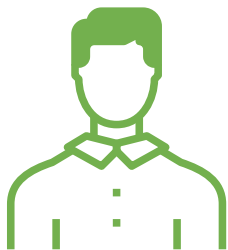
## 2.4 Retirement Benefit – Provident Fund

Designed to meet the basic needs of retirement life. Three elements make up basic retirement benefits:

- Base pension, equal to (the average of Social Average Annual Salary of the year before retirement time and the insured's indexed salary)  $\times$  years of contributions (including those regarded as contribution period)  $\times$  1%.
- Individual account pension, equal to their individual retirement account balances/number of months stipulated by the government.
- Transitional pension based on the age of insured employees and accumulation period of their individual retirement account (different regions have different standards).

## 2.5 Maternity Benefits

- Maternity Leave – normally 98 days, additional 15-30 days in case of complicated delivery
- Maternity Leave Monthly Salary – actual monthly salary, jointly paid by maternity pooled funds and employer
- Medical Care Expenses/Allowance – used for medical expenses associated with the delivery and/or related birth control treatment and/or related female illness treatment, in the form of medical allowance (such as RMB 3,000 in Shanghai) or medical expense reimbursement (such as in Guangdong)
- Following the “Opinions of the General Office of the State Council on Comprehensively Advancing Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees” (No. 10 [2019] of the General Office of the State Council), Maternity Benefits is combined with the Basic Medical-care Insurance, with unified registration, fund payment, and management.





## 3. Insured Benefits – Design and Typical Costs

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

Benefit	Comment/Cost	Lower Quartiles Approach	Median Approach	Upper Quartile Approach
<b>Medical Insurance</b>	Supplemental to Social Insurance Scheme. Reimburses for 'co-pays required within social insurance scheme, and still follows those treatments covered/allowed by the social insurance scheme.	Not covered, or only Senior staff covered.	All staff covered.	All staff and dependents covered (at employer's expense).
<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.	All staff covered, but at a low limit at or below 12 months average salary.	All staff covered at a limit equal to 12-24 months average salary.	All staff covered. Sum insured equal to 24-36 months average salary.
<b>Life Insurance</b> (Death by Illness)	Lump-sum benefit in case of death and disability due to illness.	Not covered.	All staff covered. Sum insured equal to 12-24 months average salary.	All staff covered. Sum insured equal to 24-36 months average salary.
<b>Critical Illness</b>	Lump-sum benefit if diagnosed with a specified Critical Illness. The intention is to provide additional funds for treatment not covered by the social, medical insurance scheme.	Practices vary, though the median approach usually provides Sum Insured somewhere between 6 -12 months average salary.		



## 4. Setting Up Policies

Supplemental medical insurance must be placed 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. Ximco works with your human resources team to complete this.

## 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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Asinta delivers legislative alerts and updates from across the world, weekly. Follow us to stay current.