

Market and Benchmark Insight Report for Croatia – 2021

Competitive benefit norms for mid-market employers in Croatia

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. Croatia Benefits Landscape

The prevalence of employee benefits in Croatia mainly depends on the three following factors:

- Mandatory and social security benefits
- Employee benefits available as insurance products
- Economic and regulatory situations relating to employee benefits in Croatia

1.1 Mandatory and social security benefits

The social security system plays an important role in providing employee benefits to the people of Croatia. Retirement, death in service, long-term disability, unemployment, maternity and paternity, family, minimum resources, long-term care, and medical are the primary state and compulsory benefits provided in Croatia.

1.2. Employee Benefits available as insurance products

Croatia has a highly developed social security system, and the state entirely regulates it without the possibility for insurers and broker's involvement. As a result, the voluntary employee benefits market is not very developed, and it is limited to several insurance lines.



1.3. Economic and regulatory situations relating to employee benefits in Croatia

Foreign investors are often surprised by the relatively high labor costs in Croatia compared with their expectations of the region.

Employers should also be aware of the high cost of providing benefits in Croatia. With employment law weighted in favor of workers, employers can find the cost of providing statutory benefits, such as pensions and health insurance, high. There is also a considerable difference between net and gross salary.

Regardless, some employers provide their employees with voluntary benefits through voluntary insurance contracts. They vary substantially based on a company's attraction and retention goals, culture, and the business sector.

Employees do not always perceive these benefits to be important. Croatian employees regard performance-related pay and opportunities for professional training as more valuable than benefits such as pensions or healthcare.

2. Mandatory Insurance in Croatia

Social security in the Republic of Croatia refers to organized protection for vulnerable groups within the population, such as the sick, elderly, those unfit for work, the unemployed, the socially endangered, and families with children. The state implements social security through contributions made on the principle of solidarity.

Social security benefits include retirement, death, disability, work injuries and occupational diseases, maternity and paternity benefits, sickness, and unemployment.



2.1 Mandatory Benefits

Benefit	Comments
Health Insurance	<p>In Croatia, basic health insurance is compulsory for all citizens with permanent residence in the country and foreign nationals with permanent residence status.</p> <p>The Croatian Institute for Health Insurance (HZZO) carries and administers health insurance. All people must register for the basic health system within 30 days for any applicable case such as birth or official residence for employment purposes.</p> <p>Employers must pay contributions towards basic state health insurance and basic accident insurance (16.5% on the gross salary, or 'gross II salary' or total cost for employer). Self-employed workers in Croatia must pay health insurance contributions. Unemployed persons, children, retired and vulnerable persons benefit from basic health insurance without having to contribute.</p> <p>Basic health insurance covers:</p> <ul style="list-style-type: none"> • Primary healthcare • Specialist and consultation healthcare • Hospital healthcare • Prescriptions on the HZZO's primary and supplementary list of medications • Dental and prosthetic care and replacements • Orthopedic and other aids • The right to healthcare abroad <p>The minimum amount of co-participation is HRK 10.00 (€ 1.00), and the maximum amount of co-participation cannot exceed HRK 2,000.00 (€266.00) for a single bill.</p> <p>HZZO will cover some forms of healthcare in full. For example, for children under 18, full-time students, disabled people requiring permanent assistance, and pregnant women.</p> <p>There are medical procedures not included, such as cosmetic surgery, experimental treatment, the treatment of acquired voluntary sterility, surgical treatment of obesity, and similar treatments.</p> <p>Mandatory health insurance also covers accidents at work and occupational diseases</p>



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<p>Pension insurance</p>	<p>Pension reform in Croatia began in 1998, and in 2002, the system of three pension pillars was created. The first pillar is the generational solidarity system, the second pillar is compulsory individual pension insurance, and the third pillar is voluntary pension insurance. The last two pillars represent individual capitalized savings by the insured person.</p> <p>The institution charged with implementing the pension insurance system is the Croatian Institute for Pension Insurance (HZMO) and is a public institution.</p> <p>The second was compulsory for persons under the age of 40 beginning in 2002 and is additional to the first pillar. However, persons between the ages 40 and 50 in 2002 were able to opt-out. Those who did and people older than 50 in 2002 remained insured only under the first pillar, but their contribution equals 20% of gross salary, thus insuring equality.</p> <p>For those insured under both pillars, the extra 5% of the total contribution (additional to 15% paid under the first pillar) goes to the second pillar's funds (a private pension fund).</p> <p>The person is entitled to a first pillar old-age pension when they reach age 65 (men) or 62.5 years (women) and complete at least 15 years of the qualifying period.</p> <p>Under the capitalized pension scheme (second pillar of pension insurance), the person receives benefits when they meet the eligibility conditions for the first pillar of pension insurance.</p> <p>Men who reach 60 years of age and have completed at least 35 years of the qualifying period, as well as women who reach 57 years and 6 months of age and have at least 32 years and 6 months of the qualifying period, can be entitled to receive an early old-age pension.</p> <p>Some other types of pension benefits exist, such as:</p> <ul style="list-style-type: none"> • Invalidity pension • Survivor's pension for a widow/widower/cohabitating partner / same-sex partner/divorced spouse • Survivor's pension for a child • Survivor's pension for a parent
<p>Accidents at Work and Occupational Diseases</p>	<p>Mandatory health and pension insurance cover accidents at work and occupational diseases in Croatia. Benefits pay from mandatory health insurance in the case of temporary incapacity for work, while benefits in case of disability and physical impairment get paid from pension insurance.</p>
<p>Cash benefits (sick leave)</p>	<p>The employer typically pays the income-replacement benefit for sick leave for the first 42 days of sickness or 7 days for a worker with a disability. The payment amount depends on the collective agreement or employment contract but may not be less than 70% of the employee's average wage in the 6 months preceding their sick leave.</p> <p>From the 43rd day of sick leave or the eighth day for a disabled employee, the income-replacement benefit gets calculated and paid out by the employer and reclaimed from HZZO. In this case, the minimum rate is not less than HRK 831.50 (€111.00), and the maximum rate is limited to HRK 4,257.28 (€567.00).</p>



<p>Maternity and Paternity Leave</p>	<p>Croatia regulates support for parents, mothers, and fathers in several ways. The key social benefits are maternity and parental leave, income replacement, and lower cash benefits, while a range of other rights supports parenting.</p> <p>Maternity Leave</p> <p>Employed and self-employed pregnant women receive maternity leave 28 days before the expected birth date (in case of complications, 45 days before the expected birth date) and up to 70 days after the birth. This is mandatory leave used by the mother, and in special circumstances, the father may use it (for example, if the mother dies).</p> <p>Additional maternity leaves last until the baby is 6 months old. The mother can return to work in this period and transfer it to the father in full or partially.</p> <p>For an employed or self-employed mother who meets the insurance period conditions, it stands at 100% of the base of her wage. If these conditions are not met, the cash benefit is HRK 2,328.20 (€ 310.00).</p> <p>Parental Leave</p> <p>An employed or self-employed parent is entitled to parental leave after the child reaches 6 months, and they may use it until the child turns 8 (for the first and second child). This is the personal right of both parents, and they may take it for 8 (for the first and second child) or 30 months (for twins, third and every subsequent child).</p> <p>As a rule, both parents use parental leave, each for 4 or 15 months (depending on the number of children born). But, if only one parent uses this right, then leave can last 6 or 30 months.</p> <p>The calculation base limits the income-replacement benefit. The rate is 100% of the remuneration base with a ceiling of HRK 3,991.20 (€531.00) for parental leave of 6 or 8 months and a minimum of HRK 2,328.20 (€310).</p> <p>For the remaining parental leave, the income-replacement benefit is HRK 2,328.20 (€310.00).</p> <p>After using paternity leave, one of the employed or self-employed parents may work half their working hours to provide their child with more care until the child turns 3 years old. This right is exercised if the child requires more care and nursing due to its health or development.</p> <p>Leave for caring for a child with severe developmental disabilities is used by one of the employed or self-employed parents. This right is exercised until the child turns 8 years old on the condition that both parents were employed or self-employed before claiming and for the entire duration of the leave.</p> <p>The cash benefit for the parent is HRK 2,328.20 (€310.00).</p> <p>Adoptive parent leave</p> <p>Employed or self-employed adoptive parents are entitled to take adoptive parent leave as of the day the adoption becomes legally valid and may last for 6 months for children up to age 18. However, an additional 6 months of adoptive parental leave is available for an adopted child under age 8.</p> <p>In certain situations, adoptive parent leave extends for 60 days.</p> <p>The cash benefit paid during adoptive leave is 100% of the base of the adoptive parent's wage (no with no ceiling). However, it is limited to 120% of the budget base during parental leave, i.e., HRK 3,991.20 (€531).</p> <p>Parents, mothers, and fathers may also exercise other rights such as breastfeeding breaks, leave for a child's death, and suspension of employment until the child turns 3 years old.</p>
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2.2 Supplementary benefits and perks

In addition to the mandatory benefits, employers will often provide a range of benefits to help recruit and retain employees. The structure of compensation packages depends on an employee's positions and net salary.

2.2.1 Private Medical Insurance

Voluntary health insurance in practice may be supplementary or additional health insurance. However, the employee must first register for compulsory health insurance.

Supplementary health insurance provides partial to full coverage of participation costs (beyond basic coverage), including, without limitation: primary health care, specialist examinations, diagnostics, laboratory tests, physical therapy, dental medicine services, hospital treatment, and prescriptions.

The Croatian Institute for Health Insurance (HZZO) and the insurance companies in Croatia implement it.

Additional voluntary insurance covers a wider range of benefits or a higher standard of service provided under compulsory insurance and other rights not covered by the compulsory insurance.

It is a form of voluntary additional health insurance provided by private insurers for a monthly insurance premium and includes preventive medical check-ups and indicated specialist examinations, control/preventive follow-up examinations, diagnostic and laboratory tests after preventive medical check-ups. It also has higher quality and faster health services by specialists.

The scope of coverage depends on the specific insurer's program (package) type.

As of January 1, 2020, voluntary health insurance (including supplementary and additional health insurance) is non-taxable for employers up to 2,500 HRK per year per employee. The only condition is that the employer must conclude policies for their employees, and it is not necessary to conclude it for all employees to have tax incentives.

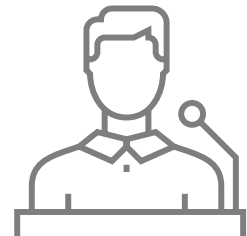
2.2.2 Voluntary Pension Plans

Voluntary pension insurance (third pillar) is based on individual capitalized savings for those who want more insurance against the risks of old age, disability, and death. The government incents this retirement savings, and every person residing in Croatia is insurable under the 3rd pillar as of March 2002; however, there are few voluntary funds in Croatia.

Employers can contribute to an employee's voluntary pension savings. These contributions are not considered salary (up to 500.00 HRK per month or 6,000.00 HRK annually) and are recognized as an expense for the employer's tax purposes.

The Croatian government matches up to 15% of an employee's contribution up to a maximum of 750.00 HRK. The personal annual contribution maximum is HRK 5,000.

See section 3 for information on life, travel health, and personal accident insurance.





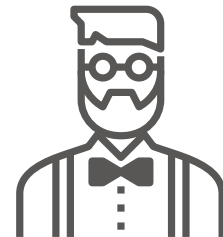
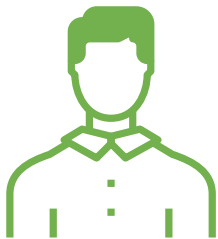
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The table below outlines the most popular perks for Croatian employees.

Benefit	Comments
Company Cars	Senior managers almost always expect to have round-the-clock use of company cars. Likewise, other employees, such as sales representatives, expect to use company cars during working hours.
Bonus	Bonuses are performance-related, primarily if their work is directly related to profit margins. Other bonuses include occasional gifts at Christmas and Easter (given as cash, company products, or shopping coupons) and professional training.
Technology and Communication	Employers typically cover all or part of mobile phone costs.
Transportation Allowances	Companies provide tax-free transportation allowances (collective agreements have public transportation coverage for workers).
Education	From foreign language classes to MBAs, any additional education paid for by organizations is seen as a great benefit. In addition, it is a good sign for junior employees that a company wants to invest in them and their future.
Workplace Canteens	This benefit is common with larger employers and particularly in industrial facilities.

There are no other common benefits in the business market except housing allowances for expatriates and employee loans provided by banks or larger and international companies.

Flexible benefits are not common, with only 1% of companies providing them.





3. Insured Benefits – Design and Typical Costs

Below we have shown the employee benefits available as insurance products in Croatia and typical levels of cover.

Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
Medical Insurance	<p>In Croatia, private medical insurance comes in the form of voluntary, supplemental, and additional voluntary insurance. However, the employee must first register for compulsory health insurance.</p> <p>The scope of coverage depends on the specific insurer's program (package) type.</p> <p>As of January 1, 2020, voluntary health insurance (including supplementary and additional health insurance) is non-taxable for employers up to 2,500 HRK per year per employee. The only condition is that the employer must conclude policies for their employees, and it is not necessary to conclude it for all employees to have tax incentives.</p>	Company-wide medical benefits are not typical but are sometimes offered for management and professional staff. The most common version of the benefit is additional voluntary medical insurance because it includes higher quality and faster health services by specialists. Some companies (primarily multinational) also insure executives' family members.		
Pension Plan	Employers can contribute to an employee's voluntary pension savings. These contributions are not considered salary (up to 500.00 HRK per month or 6,000.00 HRK annually) and are recognized as an expense for the employer's tax purposes. There are few voluntary funds in Croatia.	Typically employers do not supplement retirement benefits. Third pillar employer contributions are optional, uncommon, and primarily offered to higher-ranking employees (only 8% of all companies provide it).		
Life Insurance	<p>Savings and investment components for life insurance are optional.</p> <p>Basic life insurance policies consist of a defined sum insured payable in the case of death. Personal accident insurance for permanent disability, daily hospital treatment costs, and death caused by an accident may also be arranged. Supplemental insurance against severe illness is also an option.</p> <p>Life insurance with a savings component is not taxable for insureds/beneficiaries as of January 1, 2020.</p>	Life insurance policies are not a common insurance-based benefit, except maybe for higher-ranking employees.		
Personal Accident	Group personal accident insurance policies on a 24-hour basis or so-called 'Manager's accident' with higher sums insured are the most common. Primary coverages are death due to accident and permanent disability. All other coverages (death due to illness, death due to traffic accident, bone breakage, daily home or hospital allowance, therapy expenses) are optional.	Only managers are covered. Sum insured equals 1 to 2 annual salaries.	All staff is covered during working hours.	All staff is covered on a 24- hours basis.
Travel Health Insurance	<p>Covers costs of medical treatments during travel and stay abroad (76% of all companies provide this benefit).</p> <p>It is possible to conclude annual policies and separate policies for each trip.</p>	Lower limits and limited territorial scope of cover during business travels.	Higher limits and broader territorial scope of cover only during the business travels.	Higher limits and broader territorial scope of cover. Coverage for business and private travels.



4. Setting Up Policies

Employers often ask us to comment on properly setting up Croatian insurance policies and the possible restrictions that may apply.

Selecting coverage is the first step in initiating group or individual policies, keeping in mind that for some insurance lines, choices are limited to packages insurers offer. This primarily applies to voluntary health insurance.

The minimum number of insureds for group policies depends on each insurer and insurance line for the business in question, but there should be at least 5 insureds. It is possible to initiate individual policies for each employee.

For small groups, each employee must provide their full name and other census data. It is enough to fulfill a specific Excel sheet provided by the insurance company with the employees' data for larger populations.

Health and life insurance require individual medical (health) information and other census data and specific employer forms that identify the company's legal entities, ownership structure, information of the beneficial owner of the legal entity, etc.

The usual age limit for voluntary employee benefit insurances is 75, but this limit could be around 65 years for some coverages. This also depends on each insurer.

In general, insurance costs may vary according to specific coverage, sum insured (limit), employers' business activity, number of insureds, health, and other census data (gender, age, etc.).

Voluntary pension insurance is a subject of a direct agreement with the chosen fund and is not part of insurers' and brokers' purview.

5. Onboarding and Policy Administration

Onboarding

The state regulates the social security system, and there are no special requirements in onboarding if all pre-conditions are met. Voluntary lines of insurance require mostly moderate administration in line with each insurer's directives.

Policy Administration

As brokers, we provide our clients with full policy administration and support in accordance with the government's strict regulations.

Benchmark reports, HR administrative support, legal and tax advice, flexible benefits, and actuarial services are not something we provide

Due to strict GDPR and IDD regulations, we do not participate actively in the claims handling process.

6. Broker Remuneration

Commission is typically built into the insurance premium and paid by the insurer according to signed agreements with each insurer (if it is not agreed otherwise).

Although commissions payable on insurance policies are the typical market practice, we are also happy to discuss fee options for additional services whenever required.

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