

Market and Benchmark Insight Report for Bulgaria – 2021

Competitive benefit norms for mid-market employers in Bulgaria

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. Bulgarian Benefits Landscape

In recent years, employee benefits have become increasingly important for employers to attract and recruit qualified and talented staff. However, it is worth mentioning that the scope and type of benefits vary and constantly expand to meet employees' requirements.

Employee benefits packages depend mainly on the competitive environment determined by factors such as the economic sector, salary level, and geographic location.

1.1 Business Sector

The Gross Domestic Product of Bulgaria for 2019 is €61,239mIn which translates to a per capita of €8,780.

The services sector dominates the Bulgarian economy and generates almost two-thirds of the gross domestic product for the country (67%). The production sector represents about one-third (28%), and agriculture is only 5%.

1.2 Salary Levels

The minimum salary in Bulgaria is regulated by the state and is fixed at BGN 650 for 2020 (BGN 610 for 2019) per month. According to the National Statistic Institute the average monthly salary by December 2020 is BGN 1,505 (€770), with the highest average monthly salary in the high-tech sector being BGN 3,585 (€1,830). Finance, energy, mining, and professional consulting follow all having an average monthly salary above €1,000. Sectors like tourism, retail, construction, transportation, and agriculture have a monthly average salary close to or slightly above €500.

1.3 Location

The general structure of the Bulgarian economy is clear – almost two-thirds for services, one-third for production, and only 5% agriculture and these trends are persistent in recent years. Regarding geographical distribution, only the average monthly salary in the capital Sofia is higher than €1,000. In all other cities and regions, this indicator is less.

In addition to the salary level, the service sector and especially the high-tech sector also prevail in Sofia with more than 86% added value, followed by the Black Sea cities (Varna and Burgas), where tourism dominates.

In conclusion, based on the analysis of the economic sectors, salary level, and location, we can say that employee benefits vary a lot.

- **No benefits** – There are no benefits in low-waged sectors such as tourism and agriculture, which are also characterized by part-time and seasonal employment. This also includes production units within small cities having low salary levels.
- **Sector-specific benefits** – There are mandatory minimums for occupational accident insurance for sectors with higher-than-average occupational injuries (construction, for example), low sum insured life insurance for the mining sector (and other traditional forms of Bulgarian employment), as well as meal vouchers.
- **Highly competitive benefits** – Full benefits packages for employees in the most competitive industries in Sofia (followed by other major cities), including high-tech outsourcing, financial services, and consulting. This includes health insurance, life insurance, voluntary pension insurance, EAP, gym memberships, and other services outside the scope of insurance.





2. Bulgarian Benefits Menu

2.1. Social Security System

The Bulgarian social security system includes a large number of benefits for all citizens and provides cover for the following risks:

- Occupational accident and disease
- Death, disease, and maternity
- Unemployment
- Old-age pension (retirement)

People receive benefits under the following circumstances:

- Short-term disability due to general disease, occupational accident, or disease
- Long-term disability – disability pension and rehabilitation
- Maternity – pregnancy, childbirth, and raising a child
- Death – one-off monetary help and survivor's pension
- Unemployment – loss of job, daily allowances for a certain period
- Life-long old-age and full contribution period pension and social pension

2.2 Pension Model

Bulgaria has a three-pillar pension system, including a state pension fund, supplementary mandatory universal pension funds, and voluntary pension funds. In addition, there is a legally regulated minimum old-age pension, full contribution period, and a maximum pension limit which are updated every year.

2.3. Healthcare System

Healthcare contributions are mandatory for all citizens and allow them outpatient and inpatient treatment, a limited number of dental services, and partial reimbursement for chronic disease medicines.

The Bulgarian social security system is designed to compensate employees for short-term disability, and in such cases, they receive:

- 90% of their income if unable to work due to an occupational accident or professional disease, or

- 80% of their monthly income when it comes to a general disease

Maternity – Mothers receive 90% of their income for one year, allowing them to raise their children until age 2. The benefit amount for the second year is BGN 380.

Long-term disability – A life-long disability pension applies subject to certain conditions, but its amount is comparatively low, and minimum thresholds are legally regulated.

Death – Beneficiaries receive a one-time monetary benefit of BGN 540 and also a minimum level inheritance pension.

The healthcare system requires a visit to a general practitioner for initial examinations and referrals for specialist care (inpatient or outpatient). Dental services included in the system are limited, and **prescription medicines are partially covered for chronic diseases only.**

2.4 Overall Benefit Recommendations

1. Medical insurance is the most valued benefit by employees since it gives them easy access to:

- Outpatient medical treatment by qualified medical specialists
- Highly specialized diagnostic tests (CT&MRI)
- A full range of dental services
- Reimbursement for vision and prescription expenses

For inpatient care, most medical insurance products provide that insurance can be used only in excess of the state-provided hospital care.

2. Life insurance is strongly recommended (life and long-term disability risks) since the state's benefits are very low.

3. Voluntary pension insurance is the third pillar of the Bulgarian pension system. It's gaining popularity among middle-aged employees middle age, and it's typical to split contributions between the employer and the employee.

4. Perks such as meal vouchers, gym membership cards, access to different facilities on the office premises, qualified and certified training, internal training and seminar participation, longer annual paid leave, mentor programs, and perks are popular.



3. Mandatory Benefits

All employees should be enrolled in the State Social Security system when they have an employment agreement and receive remuneration. This is also valid for self-employed persons.

The benefits highlighted below are not in the scope of broker intermediary services.

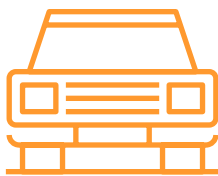
Insurance/ Social Security	Benefit	Risks covered	Contribution (employer: employee)	Comments
General Disease and Maternity Fund	80% of the social security income for the period of sick leave.	Short-term disability and short-term reduced ability to work.	3,5% (2.10:1.40)	At least 6 months of contributions paid is required to receive this benefit.
Occupational Accident Fund	90% of the social security income for the sick leave period. Individual disability pension.	Death, long-term and short-term disability, work-related accident or disease.	Between 0.4%-1.1%, for the employer only.	No requirements for a minimum contribution period.
Unemployment Fund	60% of the security income for the past 24 months.	Loss of job.	1% (0.6:0.4)	12 months with contributions paid in the past 18 months. This benefit is receivable for 4 to 12 months, depending on the entire contribution period.
Pension Fund	Individual life-long old-age pension, individual disability pension, survivor's pension, one-off help of BGN 540 to all heirs, social pension.	Old-age and full contribution period, permanent disability over 50% and death, incomes below the minimum surviving line	14.8% (8.22:6.58) 5% to Universal Funds (2.2:2.8)	The pension amount depends on contributions paid by the employee and the average security income for the country. There is a minimum level of the old-age pension – BGN 300 for 2021 there is also a limit of BGN 1,440. For disability pension, there is a requirement for contribution period, which depends on the individual's age, no such requirement if it results from an occupational accident. Disability pension depends on the contributions paid; minimum levels apply to the disability percentage and the country minimum pension.
Health Insurance	Inpatient treatment, outpatient treatment, dental care, partially reimbursement of chronic disease medicines		8% (4.8:3.2)	Health insurance act.
Annual Paid leave		20 days		Labor code – subject to 8 months under the employment agreement



4. Wider Benefit Provisions (Perks)

In addition to the mandatory benefits imposed by law, some employers also provide a range of perks to help recruit and retain employees. The table below highlights Bulgaria’s most common perks.

Benefit	Comments
Company Cars	A small number of employees receive company-financed cars and/or fuel. For example, in a work environment where employees travel on business, you may see either company cars provided or a car allowance paid.
Meal vouchers	A very common benefit for the traditional production sectors in Bulgaria (up to BGN 80 per month, which is a tax-exempted expense).
Gym membership cards	Employer-sponsored subscriptions cards that give access to different sports facilities providers (fitness, swimming pools, different workouts, and others), usually the monthly fee is split between the employer and the employee.
Additional Paid Leave	As mentioned previously, the minimum paid leave implemented in the labor code is 20 days. For big industrial enterprises, collective labor agreements require more paid days. Additional paid days off are getting popular with services sector companies and high-performing companies.
Discounts	Employees receive discounts from different service providers or retailers (as negotiated by their employer).
Remote Work	The pandemic days paved the way to home office work in many economic sectors (where possible), especially in technology, insurance, accounting, consulting, and finance. As a result, an increasing number of employers provide budgets for laptops and other devices for the home office.
Workplace Canteens	Canteens are common with larger employers and particularly in the manufacturing sector. Food is provided at a discounted rate and can include breakfast and lunch.

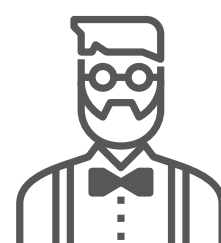
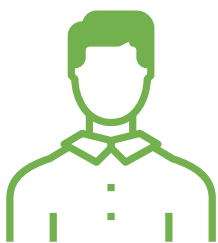




5. Insured Benefits – Design, Typical Limits, and Costs

The table below highlights the most popular insured employee benefits in Bulgaria and their typical levels of cover.

Benefit	Comment/Cost	Lower Quartiles Approach	Median Approach	Upper Quartile Approach
Medical Insurance	The most valued benefit by employees. Basic modules: inpatient and outpatient care. Additional: dental, prescription medicines & vision, and preventive care.	Only basic modules or + additional ones with low limits.	Basic modules + some of the additional ones, limits may vary.	All modules are at maximum market limits, including surgery consumables and maternity.
Life, Accident and Disability Insurance	Accident insurance is more common, with permanent and temporary disability riders included. Life is less common; permanent disability and temporary disability are usually included as riders.	Only senior staff is covered for life. The main staff is covered for accidents. Sum insured below 1x annual salary.	All staff is covered for life at BGN 10,000 - BGN 20,000 sum insured or all staff covered for accident at higher sum insured close to 1x annual salary.	All staff is covered for life at 1-2x annual salary with accidental death, permanent and temporary disability included as riders.
Pension Plan	Defined contribution scheme: % of salary or equal, fixed installments. The intermediary can be a tied agent of the pension insurance company only. Typically the contributions are split between the employer and the employee equally or 2:1 for the employer.	Contribution equals 1% of the employee's salary.	Contribution equals 2% or 3% of the employee's salary.	Contribution equals 4-5% of the employee's salary.
Occupational Accident Insurance	By law, coverage is mandatory for economic sectors with occupational injury coefficients at or above the average for the country; administered as an insurance Risks covered are: death, long-term and short-term disability as a result of an occupational accident	All staff or those who work under harder conditions in companies which economic activity with higher coefficient. Sum insured, and benefits in case of long-term or short-term disability are defined by law: <ul style="list-style-type: none"> • Sum insured – not less than seven years' salary of the employee. • Long-term disability – % of the sum insured equal to % disability. • Short-term disability – % of the monthly salary in relation to the sick leave days. 		





6. Setting Up Policies

Employers often ask us to comment on how policies should be properly set up in Bulgaria and also about the possible restrictions. The material below answers many typical questions related to this aspect of employee benefits.

6.1 Medical Insurance

- Policy design – inpatient and outpatient care are the basic modules. Inpatient treatment is used in excess of the services provided by the state and is subject to valid health insurance rights under the state system. Additional modules include prescriptions, eyeglasses, and dental with reimbursements up to annual limits. Preventive care is also an optional supplemental plan; previous conditions are covered in group policies.
- 10 people is the minimum to set up a group insurance policy. Otherwise, insurers issue individual policies which do not meet our standard coverage conditions.
- Paperwork
 - There is no medical questionnaire requirement for group policies; the only requirement is the number of employees. There is an intensive policy administration procedure specific to this insurance (handling individual insurance cards, personnel changes, etc.).
 - MAI CEE supports employees with various claims matters.

6.2. Life, Accident, and Disability Insurance

- Policy design – pure life with death benefit only is not common for Bulgaria's market. The typical design includes permanent disability (partial, total is available but not common for the market) and short-term disability. Accidental death is a standard rider. General insurance carriers offer accident and health insurance as an alternative to risk life insurance. Some of them are not ready to cover death due to illness. A common rider for accident insurance with no death due to illness benefit is occupational accident.
- 10 employees are the minimum to shape a group policy; pre-existing conditions are usually excluded. Otherwise, each employee should complete a health

questionnaire, have an individual screening, and quote by the insurer. A physical and some tests may be required for higher sums insured.

- Life insurance is subject to anti-money laundering rules and the identification of the insured and beneficiaries.

6.3 Pension Plan

- Design of the pension plan – contribution amount (most common % of salary, annuities are also possible).
- The practice is contributions split between the employer and the employee or payable entirely by the employer.
- Individual accumulated accounts, contributions paid by the employer cannot be used before retirement; the individually paid contributions can be withdrawn at any time.
- Pension insurance is subject to anti-money laundering rules.
- If contribution installments are ceased, the pension contract is still valid, and the accumulated funds are capitalized.

6.4 Occupational Accident Insurance (Workers' Compensation Insurance)

- Minimum sums insured are determined by law. All employees who work in industrial sectors with an injury coefficient at and higher than the average for the country must be insured.
- Costs vary according to the employers' activity (or its main activity, if there is more than one).
- Paperwork
 - Small groups must identify each employee by providing their full name, position, salary, and gross monthly remuneration.
 - Midsized and larger groups just provide their estimated annual payroll. The negotiated rate applies to that estimation and adjusts at the end of the policy period based on the actual yearly payroll amount.



7. Onboarding and Policy Administration

Onboarding

In the US, great attention is given to the onboarding process and the choices employees have to make. There is far less emphasis on this process in Bulgaria because, for most benefits, governmental guidelines stimulate employers with tax incentives to enroll all employees into the policies. In addition, only pension insurance requires express consent by the employee.

For employee communication, we use the following approach to meet client needs:

- Staff presentations (in-person or online)
- Preparation of a user guide (medical insurance particularly)
- Google website with FAQ
- BeFit portal to support employee benefits administration

Policy Administration

As advisers, we provide full policy administration support. This includes answering any questions, ensuring policies are up to date, and claims advice via email, live chat, web contact form, or telephone call.

We carry out policy administration in our employee benefits portal (BeFit), allowing both us and clients to see, track, and change employee information, coverage, premium, and other details. BeFit is a secure web-based platform that is easy to access and friendly to use.

8. Adviser Remuneration

We base our costs on client requirements and the time spent providing that service. Commissions payable on insurance policies are the typical market practice, but we are 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 assist your employees directly

The size of policies (expected claims volumes) under management

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