

Market and Benchmark Insight Report for Lithuania – 2021

Competitive benefit norms for mid-market employers in Lithuania

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.



Inside

Lithuania Benefits Menu	2
Insured Benefits – Design and Typical Costs	5
Setting Up Policies	6
Policy Administration	7
Adviser Remuneration	7
MAI CEE Group Team	7



1. Lithuania Benefits Menu

Both employers and employees are beginning to understand that they must contribute to both pension provisions and health insurance costs because the government programs are not enough on their own. This awareness is primarily due to political reforms and the increasingly understaffed and overcrowded National Health Service (NHS).

Health Insurance is the most valued and popular employee benefit in Lithuania, and it seems that it will continue to be, along with life insurance solutions. In addition, pension schemes are increasingly offered by companies because older employees value them.

There is a continued interest in defined contribution plans. Most of the new schemes implemented by employers are defined contribution plans with the possibility of voluntary individual contributions made by employees.

Despite that, other social benefits are becoming more and more valued, such as company cars or co-payments for dependent children's education.

The table on the next page highlights the range of benefits typically available to Lithuanian employees.





2.1 Mandatory Benefits

Benefit	Comments
Pension	<p>The Lithuanian pension scheme became operational in 2004, allowing residents to accumulate a part of their social insurance contributions in private pension funds.</p> <p>The pension system in Lithuania has three pillars:</p> <ul style="list-style-type: none"> • Pillar I – This pillar is the state social security system through which individuals are insured or insure themselves for a social insurance pension. • Pillar II – 2019 introduced new sources of financing, including a person's private contribution (3% of gross wage) and the state's contribution (1.5% from the national average wage). Once a pension fund scheme gets set up, withdrawals can only happen after reaching pension age. <ul style="list-style-type: none"> - Eligibility – Employed persons under 40 years of age, and all persons currently taking part in the pension scheme, are included in the new scheme and can opt-out. - Life cycle funds – Pension accumulation companies must invite participants to join pensions funds that are the most age-appropriate. This means that managers are obligated to strive towards maximum return on investment when participants are young and work towards securing the wealth accrued over a lifetime once employees are closer to retirement age. - Annuity: On July 1, 2020, the State Social Insurance Fund became the centralized provider of annuity services. Deferred and standard annuity are the options, and the mandatory annuity purchase limit is €10,000. This means purchasing an annuity should happen only after accumulating €10,000. If the accumulated sum is equivalent to, or less than, €5,000, the respective person is provided with a single payment. This money shall be heritable. If the accumulated sum is between €5,001 - €10,000, the individual receives periodic payments (ends when the funds are gone). This money is heritable. If the fund exceeds €60,000, the individual has the right to receive the excess amount from the pension accumulation company as a single payment. Standard pension annuity refers to the type of annuity whereby the payment of pension benefits to the person who had purchased the annuity commences immediately and lasts for life. The standard pension annuity is not heritable. • Pillar III – The third pillar is a voluntary contribution to a pension fund or participation in a life insurance scheme. Everybody can participate, including those who do not contribute to SoDra (State Social Insurance Fund Board under the Ministry of Social Security and Labor) and do not participate in Pillars I and II. <p>The following have the right to receive a pension from SoDra:</p> <ul style="list-style-type: none"> - Those who have reached retirement age. The pension age is currently being increased year by year to 65. - Those who have at least the minimum social insurance pension record of 15 years. The number of contribution years that give a person eligibility to draw the full pension increases by 6 months every year until it reaches 35 years in 2027. In 2020, the period of contribution was 31 years and 6 months.



Maternity and Paternity Benefits	<p>To receive maternity benefits, a pregnant employee must have contributed to the maternity social insurance record for at least 12 of the last 24 months before the pregnancy. For subsequent children, an employee has a two-year grace period during which they are considered fulfilling the social plan's requirements. Once the most recent child reaches age 2, an employee must begin contributing again to be eligible for further maternity benefits.</p> <p>Maternity Benefit Amount</p> <p>The maternity benefit is 77.58% of the recipient's wage. This amount is calculated according to the personal insurable income received in 12 consecutive calendar months until the calendar month preceding the month when the right to maternity benefits appeared.</p> <p>The minimal monthly maternity benefit cannot be smaller than 6 basic social insurance benefits valid for the last quarter before the right to maternity benefit appeared, i.e., €234 (6 x €39).</p> <p>The benefit is paid for:</p> <ul style="list-style-type: none"> • 126 calendar days after 30 or more weeks of pregnancy • An extra 14 days for complicated deliveries and if more than one is child born • 56 calendar days after the childbirth if a woman did not take pregnancy and childbirth leave before the date of childbirth • 70 calendar days after childbirth in the case of complicated childbirth and if more than one child was born if a woman did not take pregnancy and childbirth leave before the date of childbirth. <p>Paternity Benefit Amount</p> <p>The paternity benefit is 77.58% of the compensated recipient's wages. This size is calculated according to the personal insurable income received in 12 consecutive calendar months until the month preceding the month when the right to paternity benefit appeared. The paternity benefit is paid for 30 calendar days and can be used until the child becomes 3 months old.</p> <p>Childcare Benefit</p> <p>A mother or a father may choose to take 1 or 2 years of child care leave. Depending on the term, different benefit levels apply:</p> <ul style="list-style-type: none"> • 1-year childcare leave (until the child reaches 1-year age) – 77.58% replacement wage • 2 years leave (until the child reaches 2 years age) – first year 54.31% replacement wage, second year 31.03% replacement wage
Employment Insurance	<p>The employment insurance benefit entitles the recipient to income replacement due to:</p> <ul style="list-style-type: none"> • Sickness – The employer pays a benefit minimum of 62.06% and, at their discretion, can cover 100% of the recipient's average wages for the first 2 days of illness. The National Social Insurance Fund pays 62.06% of the recipient's compensated wages from the 3rd day of illness. The fund's minimum monthly sick pay is 11.64% of the employee's domestic average monthly wage. • Disability – A person receives statutory benefits when they lose the capacity to work continuously (disability below 30%). The benefit pays as a multiple of the Lithuanian Insured Income (€476/month), or a fraction based on the amount of incapacitation. • Maternity • Parental leave • Pension



3. Insured Benefits – Design and Typical Costs

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

Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
Health Insurance	The most valued benefit by employees. Managed care schemes are the most common. Employees use their insurance ID card to get access to the insurance company's network of providers.	Only employees are covered.	Family members (spouse and children) can also be covered but at the employee's expense.	All staff and dependents covered at the employer's expense.
Life & Disability Insurance	Typically, group life insurance schemes include lump sum benefits in case of death, accidental death, and disability and usually amount to a multiple of each employee's salary.	Only employees are 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 annual salaries.
Pension Plan	Defined contribution scheme. Funding through an insurance contract. Payout via a lump sum, annuities, or a mix of the two.	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. Typically also includes a sum insured for treatment expenses and another for funeral expenses.	Only employees are covered.	Only senior staff and employees with the most hazardous jobs are covered.	All staff covered.
Workers' Compensation Insurance	Mandatory cover by law, but it is nevertheless an employee benefit. Treatment under a Workers' Compensation insurance policy is immediate and usually pays quickly (contrary to what typically happens if it is dealt with under the NHS).	All staff must be covered, and the level of coverage is identical to all and determined by the applicable legislation.		



4. Setting Up Policies

Employers often ask us to comment on how policies need to be set up in Lithuania and possible restrictions that could apply.

4.1 Medical Insurance

- Definition of the plan's design – Selection of covers (in-hospital, outpatient, dental, vision, medicines, childbirth, and other secondary supplemental covers), its respective annual limits per person, and eligibility
- Up to 10 lives, the available options are standard modules for several insurance companies, 10+ lives tailor-made plans are possible
- Paperwork
 - Employer must complete and sign a specific form
 - 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 provided by the insurance company with the employees' data (and one of their dependents, if applicable)

4.2 Life & Disability Insurance

- Definition of the plan's design – selection of covers (death, disability, accidental death, accidental disability, death due to traffic accident, disability due to traffic accident and other secondary supplemental covers), sum insured per person (a multiple of salary), and eligibility
- Paperwork
 - Employer must complete and sign a specific form
 - Employees must complete and sign a specific form with their personal data, a health questionnaire, and identification of their beneficiaries
 - Under some circumstances, the employee's completion of these forms may be waived

4.3 Pension Plan

- Definition of the plan's design – amount of the contribution (a percentage of salary), eligibility, vesting, and tax regime

- Paperwork

- Employer must complete and sign a specific form
 - Employees must complete and sign a specific form with their personal data and identification of their beneficiaries in case of death
 - Under some circumstances, the employee's completion of these forms may be waived

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 of salary and eligibility
- Paperwork
 - Employer must complete and sign a specific form
 - Employees must complete and sign a specific form with their personal data and identification of their beneficiaries in case of death
 - Under some circumstances, the employee's completion of these forms may be waived

4.5 Workers' Compensation Insurance

- Level of benefit is pre-determined by law; all employees must be covered
- Cost varies according to the employers' activity (or its main activity if there is more than one)
- Paperwork
 - For small groups, it is required to identify each employee by providing full name, function, salary, and all other remunerations
 - For mid-sized and larger groups, provide the estimated annual payroll. The negotiated rate will be applied to that estimate. An additional premium/refund is issued at year-end depending on whether the actual annual payroll amount is lower or higher than the estimate.

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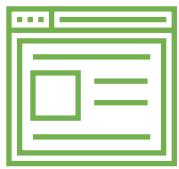


5. Policy Administration

As advisers, we provide full policy administration support, including answering any queries raised, ensuring policies are up to date, and claims.

Also, we communicate directly with employees and also provide:

- Staff presentations
- Benefit communication packets, including new employee packets
- Benefit videos
- A selection of insurance companies with portals allowing employees to have secure access to benefits data and learn how to use the benefit, particularly in the case of medical insurance



6. Adviser Remuneration

We base our costs on the requirements of the client and the time spent providing that service. Commission payable on insured policies is 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 directly assist your employees directly
- The size of policies (expected claims volumes) under management

7. MAI CEE Group Team



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