

Market and Benchmark Insight Report for Armenia – 2021

Competitive benefit norms for mid-market employers in Armenia

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. Armenia Benefits Landscape

Over the last 5-6 years employee benefits have become important in Armenia because they help attract and retain employees, specifically in large local employers and within the financial and tech industries. Health, personal accident, and travel insurance are among the most popular insured benefits. Unfortunately, the state benefit system is not well developed, but significant steps are underway to modernize it.

2. Social Security Contributions

As of July 1, 2014, mandatory contributions to pension funds are applicable for both Armenian and foreign citizens born after January 1, 1974 (inclusive). However, employees were allowed to refuse social contributions until July 1, 2018, by submitting an appropriate application before December 25, 2014. Yet, employees working in the public sector and unemployed people as of July 1, 2014, may not refuse contributing.

From July 1, 2018, all employees, notaries, and individual entrepreneurs born after January 1, 1974, should make funded pension contributions.

In parallel to the decrease in personal income tax (PIT) rates, and according to Armenian law on funded pensions, the principle of equal participation by citizens and the state regarding funded pension allocations was restored.

In particular, as of July 1, 2020, the maximum threshold for calculating pension contributions changed. Instead of AMD 500,000, it became AMD 1,020,000 (15 times the minimum monthly salary of AMD 68,000). In addition, as of January 1, 2020, the minimum monthly salary increased from AMD 55,000 to AMD 68,000.

From July 1, 2020, to December 31, 2020, the pension contribution payment became:

- 2.5% of the monthly gross salary if it is less than AMD 500,000
- 10% of the monthly gross salary (but not more than the maximum threshold) minus AMD 37,500 if the monthly gross salary is more than AMD 500,000

Additionally, from January 1, 2021, to December 31, 2021, the pension contribution payment will be calculated as follows:

- 3.5% of the monthly gross salary if it is less than AMD 500,000
- 10% of the monthly gross salary (but not more than the maximum threshold) minus AMD 32,500 if the monthly gross salary is more than AMD 500,000

Also, from January 1, 2022, to December 31, 2022, the pension contribution payment will be calculated as follows:

- 4.5% of the monthly gross salary if it is less than AMD 500,000.
- 10% of the monthly gross salary (but not more than the maximum threshold) minus AMD 27,500 if the monthly gross salary is more than AMD 500,000.





3. Employment Pension

Employment Pension (the first level of the multi-pillar pension system) is the old-age pension, based on the payments made by the employer and employee. However, the amount of this pension type is not conditioned by employees' payments over the years but by the number of seniority years.

THERE ARE 2 ASSET MANAGERS PARTICIPATING IN THE SYSTEM.

1. C-Quadrat Ampega Asset Management Armenia, a subsidiary of C-Quadrat Investment in Austria
2. Talanx Asset Management in Germany (Amundi-ACBA Armenia).

Participants are free to choose the manager of their pension assets and the management policy of such assets.

The following persons may participate voluntarily in the mandatory funded pension component:

- The following persons born before 1974
- Hired employees and persons performing public service, except for military servants and persons having an equal status
- Notaries
- Individual entrepreneurs
- Self-employed persons, irrespective of their age

A funded pension may be paid in the following forms:

1. Annuities
2. Programmed withdrawals; and/or
3. Lump-sum



4. Maternity and Temporary Disability

Armenian law governs maternity and temporary disability benefits for both employees and the self-employed. Those entitled to these benefits include:

- Individual employees
- Sole entrepreneurs and notaries
- Others defined by Armenian law

The self-employed cannot receive this benefit if:

- Activities were terminated
- They were a micro-enterprise
- If they received benefits under the law "On Tax Exemption of Activities in Border Settlements"

This law establishes the following types of temporary disability benefit issued in case of a temporary disability:

- Due to disease (injury) (further-sickness benefit)
- Which arose in connection with prosthetics (further - benefit in case of prosthetics)
- Due to the need of sanatorium treatment (further – benefit for sanatorium treatment)
- In connection with pregnancy and childbirth (further – maternity allowance)
- In connection with disease (injury) of a family member in need of care (further – care allowance for a sick the family member)

The benefits provided to a self-employed person are related to:

- Disease
- Prosthetics
- Motherhood
- Care of a sick family member



5. Insured Benefits

There is no mandatory employment-based insurance requirement. However, most employers grant employees medical insurance. Travel and personal accident insurance are also available on a facultative base. The main coverages are:

Medical

- Annual medical treatment and consultation
- Pregnancy, birth care
- Cardiology
- Chronic diseases
- Dentistry
- Ophthalmology
- Other services

Travel

- Medical expenses, including transportation
- Legal Advice
- Amateur sport injuries
- Loss or damage of baggage
- Public Liability
- Repatriation

Personal Accident

- Bodily Injury
- Medical expenses
- Sudden acute poisoning
- Disability (permanent or temporary)
- Death

6. Holidays

Date	Day	Holiday
Jan 1 to Jan 4	Fri to Mon	New Year Holiday
Jan 6 to Jan 7	Wed to Thu	Armenian Christmas Holiday
Jan 28	Thu	National Army Day
Mar 8	Mon	International Women's Day
Apr 5	Mon	Easter Monday
Apr 24	Sat	Armenian Remembrance Day
May 1	Sat	Labor Day
May 9	Sun	Victory and Peace Day
May 28	Fri	1st Republic Day
Jul 5	Mon	Constitution Day
Sep 21	Tue	Independence Day
Dec 31	Fri	New Year's Eve

7. Average Wages

Year	Absolute value, AMD	Compared to the corresponding period of the previous year (%)
2020	189,716.00	103.9
2019	182,673.00	105.8
2018	172,727.00	104
2017	177,817.00	101.9
2016	174,445.00	101.6
2015	171,615.00	108.2
2014	158,580.00	108.2
2013	146,524.00	104.1
2012	113,163.00	104.7
2011	108,092.00	105.3
2010	102,652.00	106.9



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 Armenia because there is little benefit choice, and employees are automatically enrolled in policies.

MAI CEE supports the following approach to meet client needs:

- Presentations by us and/or the insurers
- 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

Policy Administration

As insurance brokers and we provide full policy administrative support. This includes answering any queries, ensuring policies are up to date, and assisting with claims. We base administration on an in-house platform, which gives us the updated status of any process at a given moment.

8. 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 will be 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

9. MAI CEE Contact



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