

Market and Benchmark Insight Report for the Czech Republic – 2021

Competitive benefit norms for mid-market employers in the Czech Republic

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. Czech Benefits Landscape

Most employee benefits in the Czech Republic are compulsory and government-controlled, including health, pension, and social insurance-based contributions, with no broker involvement.

Three other factors influence the definition of the benefits' design:

- Industry type
- Salary level
- Location

1.1 Industry Type

Additional employee benefits are most prevalent among high value-added segments of business, especially pharma, IT, and automobile manufacturing. However, they vary substantially based on the company's attraction and retention goals, culture, and actual life cycle position.

In retail, hospitality, general manufacturing, transportation, and other industries, employee benefits are rare.

1.2 Salary Levels

Salary levels, or in other words, job positions, impact benefit provision. In lower-paid industries, you may find only senior managers receive supplemental employee benefits.

Typically, the distribution of employee benefits is even, but they are also salary-related. The government regulates the minimum monthly salary, and it was CZK 14 600 (€572) in 2020 and CZK 15 200 (€596) in 2021.

1.3 Location

The location of employees can influence benefit provision and salaries. For example, costs will be higher in Prague and, on a slightly lower level, in Pilsen and Brno.

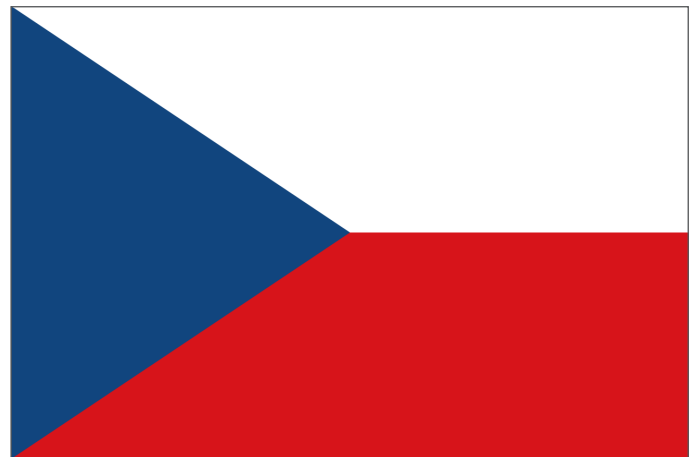
2. Czech Benefits Menu

While social and health insurance is mandatory, the most popular, insurable employee benefit in the Czech Republic is, and it seems that it will continue to be, group life insurance. Also, companies are increasingly offering supplementary pension schemes because employees in older age groups value them.

Meal vouchers, or financial compensation of their value, are a must and some employers offer greater amounts than required by law.

Company cars are a widespread benefit for top and mid-management and often traveling sales staff. So were sports and culture vouchers during the pre-COVID-19 period.

The table on the next page shows the range of benefits typically available to employees in the Czech Republic.





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2.1 Mandatory Benefits

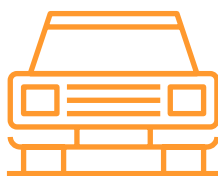
| Benefit | Comments |
|--|--|
| Workers' Compensation Insurance | All employees must receive coverage for accidents at work and workplace disease through coverage by a special government fund called Kooperativa pojišťovna. |
| Holiday Pay | All workers are legally entitled to 20 days of paid holiday per year. But most companies offer 25 days. |

2.2 Wider Benefit Provision

In addition to the mandatory benefits, employers will often provide a range of benefits to help recruit and retain employees. The most common benefits are shown below:

| Benefit | Comments |
|--------------------------------------|---|
| Company Cars | A small number of employees receive company-financed cars and/or fuel or an allowance in lieu. In a work environment where employees travel on business, you may see either company cars provided or a car allowance. |
| Meal Allowance | Employers can pay a meal allowance. The maximum level of this allowance which is fully taxable, is CZK 75 per day. Therefore, a higher allowance is a taxable cost for the employer. |
| Voluntary Benefits | Large and mid-sized employers will often provide employees with a range of 'voluntary benefits' that can be provided at discounted prices through the employer. |
| Flexible Benefits | Employees can select several types of benefits from a menu, most of them being tax efficient. |
| Work from Home | Working from home is a possibility, especially in the technology sector. |
| Workplace Canteens Rest zones | This benefit is common with larger employers and particularly in industrial facilities. Food is provided at a discounted rate and can include breakfast and lunch. |

When designing your benefits, you need to consider your sector, employee census data, and objectives. As advisors, we will help you design benefits that work for you and are within your budget.





3. Insured Benefits – Design and Typical Costs

Below are the most popular insured employee benefits in the Czech Republic and frequently applied levels of cover.

| Benefit | Comment/Cost | Lower Quartiles Approach | Medium Quartile Approach | Upper Quartile Approach |
|--|---|--|---|--|
| Medical Insurance | The most valued benefit by employees. Managed care schemes are the most common. Employees have access to the network of healthcare providers of the insurance company by presenting the respective insurance card. | Only employees are covered. | Family members (spouse and children) can also be covered but at the employee's expense. | All staff and dependents are 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 senior staff covered. Sum insured equal to 1 annual salary. | All staff covered. Sum insured equal to 1 annual salary. | All staff is covered. Sum insured equal to 2 annual salaries. |
| Pension Plan | Defined contribution scheme. Funding through an insurance contract. | Contribution equals 3 % of each employee's salary is common. | Contribution equals 3 % of each employee's salary is common. | Contribution equals 3% of each employee's salary is common. |
| Personal Accident | Death and disability coverage due to professional or extra-professional accidents. Typically also includes a sum insured for treatment expenses and another one for funeral expenses. | Only senior staff covered. | Only senior staff and employees with the most hazardous jobs are covered. | All staff covered. |
| Workers' Compensation Insurance | Mandatory cover by law, it is nevertheless a benefit for employees. | All staff must be covered, and the level of coverage is identical to all and determined by the applicable legislation. | | |



4. Setting Up Policies

4.1 Medical Insurance

- In the Czech Republic, there are 3-4 providers. They offer 3 levels of membership.
- Paperwork
 - Employer must complete and sign a specific agreement with the provider
 - No health questionnaire is required

4.2 Life & Disability Insurance, Personal Accident

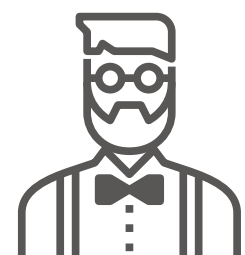
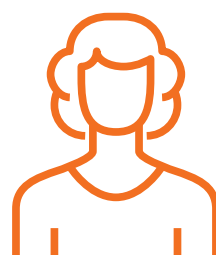
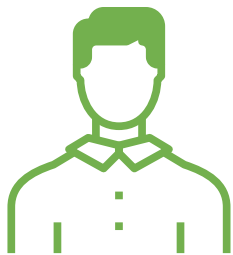
- Definition of the plan's design: selection of covers (death, disability, accidental death, accidental disability, death due to traffic accident, disability due to traffic accident and other secondary supplemental covers), sum insured per person (a multiple of salary), and eligibility
- Insuring base salary, and not bonuses or other remuneration, is the most common
- 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 beneficiary(ies) – under 12 lives

4.3 Pension Plan

- Definition of the plan's design: amount of the contribution (a percentage of salary, contribution of employee)
- Paperwork
 - Employer must complete and sign a specific agreement with the provider.
 - Employees must complete and sign a specific form with their personal data and the identification of their beneficiaries in case of death.

4.4 Workers' Compensation Insurance

- Level of benefit is pre-determined by law, and every employee must be covered; the government scheme managed by the insurer Kooperativa pojišťovna collects contributions and pays indemnities.





5. Onboarding and Policy Administration

Onboarding

The key benefits in the Czech Republic require standard attention of the salary accountant and some documented approvals and choices by the insured employee. Other benefits need the support of the HR department, especially to prepare the underwriting data and collect the documented consents of employees.

We also provide staff presentations and communications to support staff's awareness and understanding of their benefits.

Policy Administration

As advisers, MAI CEE provides full policy administrative support. This includes answering any queries raised, ensuring policies are up to date, and claims support. Note: due to personal data laws, most employers prefer to communicate directly with insurers about any changes to employee data.

6. Adviser Remuneration

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

7. MAI CEE Group Team



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