

IGP Country Profile

Denmark



Table of Contents

Customary employee benefits	3
Death benefits	3
Disability benefits	3
Medical benefits	3
Retirement benefits	3
Legislative news	5
Trends	6
Use of Artificial Intelligence (AI)	6
Labor market pension schemes	6
Demographic changes	6
Telehealth	6
Rising pension engagement	6
Typical employee benefits plans and benchmarking	7
Useful links	8
More information on PFA Pension	8

Customary employee benefits

Death benefits

The legislation allows for the possibility of establishing a flexible pension scheme where individual needs can be met within certain limits.

The general objective in the design of a pension plan is to provide a basic coverage in the event of disablement or death provided on a group basis called solidarity coverage. Solidarity coverage means that the price for the coverage is leveled out over the entire group.

In addition to the basic coverage, employees can individually choose a higher disability, death, and critical illness cover, provided it is within the agreed limits and the agreed premium.

Disability benefits

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Disability pension

When setting the level of the disability cover in a pension plan, it should be taken into consideration that the allowance a person will receive during the job assessment or job rehabilitation program under the social security system will be reduced by a disability pension paid out from a pension plan. The pension plan should therefore include a possibility that 80% of the employee's salary will be paid out during the program period (max. 5 years).

Critical illness

As there is usually no statutory financial assistance available to employees suffering from a life-threatening illness, many companies take out an insurance that pays a lump sum if the employee is

diagnosed with one of many diseases, such as cancer.

More and more pension suppliers also offer coverage in case of children's critical illness until the age of 21 and 24.

Medical benefits

Occupational health plan

Social Security generally provides adequate coverage, but supplementary health insurance is becoming a product of interest to more people.

Nowadays, this type of insurance is often taken out as part of an occupational plan.

Medical expenses insurance

An employee may be suffering from an illness, which requires treatment; however, the waiting period for such treatment through the Social Security System can be lengthy. However, the employer can take out insurance to cover payment of the medical expenses, e.g., treatment at a private hospital, rehabilitation, etc.).

Preventive care

The increased popularity of company health plans has led to the introduction of new products that focus on preventive insurance coverage. These new insurance schemes provide access to retreatment for minor medical disorders, which can keep them from turning into issues that require long-term sickness absences.

Retirement benefits

The average salary for a Danish employee is approximately DKK 325,000. The Danish Social Security System provides modest flat-rate pensions. The average employee receives a retirement pension amounting to not more than 25% of final salary. Normally, a Danish employee is not sufficiently covered by Social Security and requires a private pension program.

Level of Savings in a Pension Plan

The legislation allows for the possibility of establishing a flexible pension scheme where individual needs can be met within certain limits.

The level of savings depends on the size of the insurance coverage during the entire period of insurance, i.e., after the administrative costs and the risk charge have been deducted from the premium, the remainder is held by the insurer and bears interest. Please note that new pension plans are mostly based on market rate, and as such, the level of savings may vary due to market fluctuations.

This amount is then paid out at retirement, either as an installment pension, annuity pension or lump sum benefit on retirement. Installment pensions are generally paid out for a guaranteed period of 10-15 years, and annuity pensions are paid until the insured's death.

It is no longer possible to make tax-free payments to a plan that includes a lump sum. Consequently, payments that are made to savings plans after January 1, 2013, will be made to installment and life pension plans.

It will still be possible to have an endowment pension paid out on retirement when it comes to endowment plans that were accumulated before the tax reform that took effect on January 1, 2013.

Pension contribution

The pension contribution most often amounts to 15% of the pensionable salary. This contribution covers both the premium necessary to provide the risk coverage, the local administration charge, and the savings for retirement.

The employer normally pays two-thirds of the contribution and the employee one-third.

The employee has the option of paying further contributions on a voluntary basis – either as a continuous contribution, or as a single premium. The employee may, at any time, change the size of the voluntary pension contribution.

Legislative news

The Danish Financial Supervisory Authority made an announcement - that from January 1, 2022, all insurances sold as a part of a pension scheme must be at a cost-price or higher. Selling these insurances at a discount are not allowed anymore. This has switched the discounts on the asset management part and increased the focus on better balance.

In December 2020, the Danish Parliament adopted a legislative proposal implementing the right to early retirement from January 1, 2021.

This pension (called the “Arne” pension) would benefit people who:

- Started working early
- Have spent a long time in the labor market
- Have a physically or mentally challenging job

As a result, a person who meets the above criteria can leave the labor market before reaching the statutory public retirement age.



Trends

Use of Artificial Intelligence (AI)

For the insurance industry, Artificial intelligence (AI) can enhance communications, streamline administrative processes, and reduce repetitive or labor-intensive tasks. For those involved with employee benefits, the positive aspects of AI include automation, collection and analysis of data, use of digital support tools and personalization.

For example, absenteeism from work due to sickness is an area where AI can have an impact. Using data and looking for patterns of absence, AI can predict if an employee is at high-risk of being sick on a long-term basis.

AI also can be used to provide customers with an overview of their savings/pension plans to help them actively manage these plans. Some customers prefer using an AI interface for pension services rather than a human advisor, and some prefer a combination of both.

Labor market pension schemes

Labor market pension schemes have changed from 8% + 4% to 10% + 2%. This means employers now pay a bigger share of the pension (10%).

Demographic changes

Because of changing demographics and longer expected living-time, issues related to seniors are becoming more important. Workers can partially retire and still get some of their pension paid out while working and receiving a public pension. This makes the transition from an employee to retiree much more flexible. This also changes the dynamics of the workforce – most notably – Denmark now has four active generations (Boomers, X, Millennials and Z) all working together with Alpha potentially being the fifth.

Telehealth

With telehealth, medical professionals can provide online consultations and give medical advice by video, phone, or email.

Among other things, these services:

- Provide professional medical advice and treatment by phone or video

- Respond to questions by email
- Issue and renew prescriptions
- Take the pressure off the public health system

Rising pension engagement

Employees are more invested in the choices concerning their pension scheme.

Typical employee benefits plans and benchmarking

Insurance cover	Basic cover	Optional cover
HEALTH INSURANCE		
	Children and stepchildren who live at home are covered until the age of 24. Children, aged 24-28, can continue private payment.	Cover for spouse or cohabiting partner, private payment.
CRITICAL ILLNESS		
Lump sum	DKK 125,000	Up to DKK 750,000
Children's cover	DKK 0	Up to DKK 750,000
OCCUPATIONAL CAPACITY		
Regular payouts	Automatic adjustment 15% - 74%	Up to 80% of salary
Increased regular payouts when job rehabilitation benefit has been granted.	Yes	
Lump sum	DKK 0	Up to DKK 500,000 or 200% of salary
Payment protection cover / waiver of premium (on the savings*)	Payment protection cover/waiver of premium for compulsory contributions. Payment protection cover/waiver of premium for both compulsory and voluntary contributions with payment protection cover.	Can be deselected for the voluntary part.
LIFE		
	Lump sum of 100% of the salary.	
Lump sum	Minimum DKK 0/ employees covered by a collective agreement: minimum 100% of the salary, however, minimum DKK 500,000 / DKK 220,000.	Up to 800% of salary
Regular payouts (children's pension)	Regular payouts of 0% of salary	Up to 25% of salary

The cover is effective until the date stated in the pension certificate.

* Certain types of cover may be exempt from payment protection cover/waiver of premium.

Useful links

Demographic information and macro-economic indicators

[CIA World Factbook](#) (please select the country to review)

[World Bank Group](#) (please select the country to review)

Social security

lifeindenmark.borger.dk

More information on PFA Pension

Your Local Link to IGP in Denmark:

[Go to partner page on www.igpinfo.com](http://www.igpinfo.com)





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