

# IGP Country Profile **Germany**





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# Customary employee benefits

In Germany, there are several obligatory insurances for employees. These include health insurance (Krankenversicherung), pension insurance (Rentenversicherung), unemployment insurance (Arbeitslosenversicherung), and accident insurance (Unfallversicherung). Additionally, there's compulsory long-term care insurance (Pflegeversicherung) which is linked to the health insurance.

Some voluntary benefits for employees include supplementary health insurance (Zusatzkrankenversicherung) to cover additional medical services, private pension plans (private Altersvorsorge), disability insurance (Berufsunfähigkeitsversicherung), and life insurance (Lebensversicherung). These can offer added financial security and coverage beyond the mandatory insurances.

In recent years, some benefit trends in Germany for employees have focused on flexible working arrangements, such as remote work options or flexible hours, wellness programs promoting mental health and work-life balance, increased focus on professional development and training, as well as employer contributions to retirement savings or pension plans. Sustainability initiatives and eco-friendly practices within companies have also gained traction as a benefit trend.

In Germany, employee benefits are defined as a commitment of the employer to grant old age, disability or dependent's benefits based on an employer-employee relationship.

Following benefits are available in the German market.

## Death benefits

- Lump sum Death Benefits
- Survivor's Pension (Widow's & Widower's Pension)
- Dependent Life

## Disability benefits

- Long-Term Disability Pensions (LTD) – rider and stand-alone
- Waiver of Premium – rider to a death coverage with supplement disability coverage
- Critical Illness
- Long-term Care Pensions

## Accident benefits

- Group Personal Accident (GPA)
- Travel Accident
- Accidental Death and Dismemberment (AD&D)
- Accident & Sickness (A&S)

## Medical benefits

Private and Group Health Coverages as a supplement to or replacement for the Statutory Health Insurance

If the income of an employee exceeds a certain amount, there is either the possibility of voluntary membership in the State health insurance, or the possibility of taking out an insurance policy with a private health insurance company. If the private insurance covers at least the same benefits as the State health insurance, half of the premium must be paid by the employer, up to a maximum of 50% of the State health insurance contribution. Employees, who cannot take out a full private insurance plan, have the possibility to upgrade their State health insurance with supplementary private insurances covering, e.g.:

- The cost for hospitalization in private or semi-private accommodation
- The cost for treatment by the chief-physician
- Additional costs for dental treatments which are not paid by the State health insurance

The employer can take out such supplementary insurance for its employees under the favorable terms under a group insurance contract.



## Retirement benefits

The German pension system is based on a three-pillar model:

1. **Statutory Pension Insurance (First Pillar):** This is the primary component, mandatory for most employees. Contributions are made by both employees and employers, providing a pension based on contributions and the number of years worked.
2. **Company or Occupational Pensions (Second Pillar):** This voluntary system includes additional pension plans provided by employers, often as part of collective agreements or individual contracts.
3. **Private Pension Provision (Third Pillar):** This comprises private savings and investments by individuals, such as personal pension plans (Riester or Rürup pensions) or other private savings accounts, aimed at supplementing the statutory pension.

The system aims to ensure retirement income through a combination of state-provided, employer-sponsored, and individual private pension provisions.

Occupational pensions in Germany, often referred to as company or company-based pensions, are an additional component of the retirement benefits beyond the statutory pension:

1. **Voluntary Supplement:** These pensions are provided voluntarily by employers and serve as an additional retirement benefit. They complement the statutory pension.
2. **Collective Agreements or Individual Contracts:** Occupational pensions can be part of collective agreements negotiated between employers and employees' representatives. Alternatively, individuals can opt for individual contracts for such pension plans.
3. **Types of Plans:** They can take various forms, such as direct pension commitments, direct insurance, or pension funds. These plans can offer various benefits such as lifelong payments, additional disability benefits, or survivor benefits for spouses.
4. **Contributions:** Contributions to occupational pensions are often made by both the employee and the employer. These contributions accumulate over an individual's working years and add to the overall retirement income.

Occupational pensions serve as an essential supplement to the statutory pension, aiming to enhance the overall retirement income for employees in Germany.

# Legislative news

Betriebsrentenstärkungsgesetz (BRSG), which translates to the Company Pension Strengthening Act in English, is a German law aimed at bolstering company pensions and encouraging employers to offer occupational or company-based retirement plans to their employees.

The BRSG, which came into effect in 2018, introduced several changes to occupational pension schemes, making it easier for small and medium-sized enterprises to provide company pensions. One of its key elements is the introduction of the “Opting-Out” model, where employees are automatically enrolled in a company pension plan but have the choice to opt out if they prefer not to participate.

Additionally, the BRSG includes provisions to reduce the financial burden on employers, simplifies administrative procedures, and encourages the creation of industry-wide pension plans (Sozialpartnermodell) negotiated between employers and trade unions.

Overall, the BRSG aims to improve the accessibility and attractiveness of company pension schemes, thereby enhancing retirement provisions for employees in Germany.

# Trends

In Germany, insured benefit trends have been evolving to address changing needs and preferences of individuals. Some notable trends include:

1. **Flexible Coverage Options:** Insurers are offering more tailored and flexible insurance plans, allowing individuals to choose coverage options that align with their specific needs rather than opting for standard packages.
2. **Digitalization and Tech Integration:** Insurers are leveraging technology to streamline processes, offer digital services, and provide more accessible and user-friendly interfaces for managing policies and claims.
3. **Wellness and Prevention:** There's a growing emphasis on wellness and prevention programs within insurance policies. This includes coverage for preventive healthcare services, fitness benefits, mental health support, and wellness incentives to promote a healthier lifestyle.
4. **Cybersecurity Insurance:** With the increasing threat of cyberattacks, insurance coverage for cybersecurity-related incidents, data breaches, and identity theft has become more prevalent.
5. **Sustainability and Environmental Coverage:** Insurers are increasingly offering policies that cover environmentally friendly initiatives, such as green buildings, renewable energy projects, or coverage for eco-friendly practices within businesses.

These trends reflect a shift towards more personalized, tech-savvy, and forward-thinking insurance offerings that cater to diverse needs and emerging risks in society.



Please refer to the following articles that appeared in IGP Network News:

[Bridging the gap: Occupational disability insurance \(2024\)](#)

# Typical employee benefits plans and benchmarking

In Germany, due to the strong social security system, typical employee benefit plans mostly include:

1. **Company Pension Plans:** Many automotive companies provide robust occupational pension schemes as part of their benefits package. These could involve employer contributions to private pension plans or direct pension commitments.
2. **Healthcare Benefits:** Comprehensive health insurance coverage is common, covering medical treatments, hospital stays, and sometimes additional services like dental or vision care.
3. **Training and Development:** Automotive companies often invest in employee training and development programs to keep their workforce updated with technological advancements and industry-specific skills.
4. **Performance Bonuses and Incentives:** Bonuses based on performance targets or profit-sharing schemes are prevalent, incentivizing employees to contribute to the company's success.
5. **Flexible Work Arrangements:** Given the nature of the industry, companies may offer flexible working hours or remote work options to accommodate varying project demands.
6. **Vehicle Discounts or Leasing Programs:** Some automotive companies provide their employees with discounted rates or leasing options for company vehicles or even vehicles produced by the company.
7. **Employee Assistance Programs (EAPs):** Support services for employees dealing with personal or work-related challenges, including counseling, mental health support, and financial advice.

These benefits aim to attract and retain skilled professionals while ensuring employee satisfaction and well-being. The specifics of these plans can vary between companies.

# 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)

## **More information on Gothaer Lebensversicherung AG**

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