

IGP Country Profile **Hungary**





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Customary employee benefits

Death benefits

Lump Sum Benefits

A typical policy would include one to two times annual gross salary payable in case of death by any cause or in the event of accidental death. A fixed amount payable in case of death by any cause is typical too.

Accidental death

The Insurer pays the sum insured effective at the time of the accident (typically one or two times annual salary or a fixed amount). If the insured also held a Term Life Insurance, then both sums insured shall be paid upon death resulting from accident.

Insurance for reimbursement of accident-related costs

An insurance event occurs when an insured suffers an accident, provided risk is actively insured, the costs of which can be reimbursed by the Insurance Company. It is a fixed benefit amount usually ranging from HUF 50,000 to HUF 100,000.

Disability benefits

Non-accidental Permanent Total Disability (PTD)

The policy generally includes one to two times annual gross salary.

Accidental Permanent Total Disability and Accidental Permanent Partial Disability

The policy generally would include one to two times annual gross salary or a fixed amount payable as a lump-sum in accordance with the degree of disability.

The above-mentioned PTD coverages provide benefits for disability due to any reason (permanent illness as well as health damage).

Accidental Incapacitation (Short Term Disability)

It is a fixed amount benefit to supplement the income provided to employees by Social Security during the period of sick leave. The typical benefit amount is about the same as the accidental hospitalization benefit (or slightly below that).

Total or Partial Permanent Disability (TPD)

The Insurer acknowledges the disability based upon determination of disability by competent professional. The Insurer pays the sum insured effective at the time of the issue of the determination. The sum insured is typically one to two times annual salary.

Sickness Benefit

Any compensation provided during the first 15 days of absence due to sickness is the responsibility of the employer. From the 16th day onward, one-third is covered by the employer and two-thirds by Social Security. The typical compensation is 70% of the daily income. Therefore, it is to the employer's advantage to obtain an insurance policy covering illness (temporary work incapacity).

This also enables the employer to provide its employees with an amount close to their total daily income by adding coverage for the difference between the real income and the sickness benefit limited by the State Health Care Fund.

Dread disease policies are also available in the market and becoming more popular among multinationals that want to provide their key-staff with this type of insurance compensation for "illness management".

Medical benefits

Childbirth Insurance benefits

This is a very popular (although expensive) coverage, especially if the majority of the employees are young. This insurance pays a lump sum benefit, if a baby is born in the family of the insured.

Accidental hospitalization

(Daily and lump-sum benefits)

These are fixed amount benefits providing additional income, taking into account the number of days of hospitalization as a result of an accident. For managers, the amount of the daily benefit is generally HUF 10,000-30,000, for other employees it is HUF 5,000-10,000; the amount of lump sum benefit is typically 10 times the daily amount, provided on the 10th day.

Accidental surgical benefit

In the event the insured is hospitalized and undergoes surgery as a result of an accident, then the Insurer pays a fixed benefit amount defined in advance and depending on the severity of the surgery. Insurers usually classify surgeries depending on their severity into four categories - minor, average, major, critical surgeries. For managers, surgical benefits vary in the following ranges:

- Minor surgeries: HUF 50-100 thousand,
- Average surgeries: HUF 100-250 thousand
- Major surgeries: HUF 200-500 thousand, critical surgeries: HUF 500 thousand– HUF 1 million.

Accidental Fracture, Fissure of Bone

It is a fixed benefit amount usually ranging from HUF 20,000 – HUF 100,000.

Insurance for accidental burn injuries

Insurance event occurs should an insured suffers an accident, provided risk is actively insured, the costs of which can be reimbursed by the Insurance Company.

In case of an insurance event, the Insurance Company shall pay the part of the sum insured valid at the time of the accident and specified in the Appendix and Data Sheet which is proportionate to the severity of the burn injury.

Insurance products for Hospitalization (daily benefit for hospitalization, surgical benefit) and Incapacity to Work

The benefit is identical to that described in the scope of accident insurance, except that the insurer provides a

benefit for hospitalization and incapacity to work resulting not only from accidents, but from illnesses as well.

Critical Illness insurance

Today, there is greater demand from employers to provide their management and key staff with additional coverage for critical illnesses that occur more frequently among managers and employees having greater job responsibilities.

This insurance provides lump sum coverage to the insured while he or she is alive.

Medical benefits - additional information

Health care

As of January 2015, services to treat individual's specific disease or condition are only available for the 'Insured' people, students attending day-course and people, who receive social assistance. When somebody is not registered in these systems, the health care contribution must be paid under agreement to receive healthcare.

Each individual obtains care from a general practitioner (GP), children obtain care from a pediatrician, and GPs refer patients to specialists and hospitals. Specialists render outpatient care in hospital-associated polyclinics, and for tuberculosis, in dermatovenereological, oenological, and neuropsychiatry dispensaries.

Customary employee benefits (con't)

For hospital care, individuals are placed in local community, municipal, county, regional, or national level institutions, depending on the complexity of service needs.

Physicians and other health professionals are salaried employees (excluding GPs, who are financed by a capitation-oriented mixed system, and almost half of them are private entrepreneurs), and hospitals are owned by governmental entities at various levels. Since 1989, private practice by physicians has been permitted.

Subsidies for pharmaceuticals

Subsidized expenditures for pharmaceuticals are covered under the Social Security system since 1988.

- Coverage: The entire population is covered.
- Eligibility: A medical prescription and a special 'social insurance identification code of insured' is required.
- Benefits: As of April 1, 2015, the subsidies are 100%, 90%, 80%, 70%, 55%, 50%, 25% or zero, depending on the category of medicine. The classifications take into account medicine consumption patterns by income class.

In addition, pharmaceuticals are provided free of charge to people in some categories under the public benefit scheme.

Retirement benefits

Benefits

Voluntary mutual pension plans are one of the most popular vehicles used by employers in order to help their employees in saving for retirement purposes. Also, such plans have the added value of obtaining and retaining a good labor force.

The success of voluntary funds is indicated by the fact that a third of active earners; i.e., almost 1.2 million people have chosen to save in voluntary funds.

Multinationals generally provide monthly contributions based on salary, equal to about 2-6%.

The individual pension product offered by Alfa Vienna Insurance Group Zrt., the IGP Network Partner, provides:

- Flexible premium payments
- Benefits paid in lump-sums, annuities, or a combination of these
- Favorable rates of return
- Multi portfolio system
- Tax allowance for the paid premium

Retirement benefits – additional information

Social Security Pensions: The combined pension system, operational in Hungary since January 1, 1998 and comprised of a "traditional" pay-as-you-go system and another system of combined financing, one part of which is the private pension fund consisting of the member's individual account (own assets), was cancelled effective November 1, 2010.

The government has offered private pension fund members two choices:

- 1) stay in the pension fund, have all their individual pension contributions paid to the fund, but lose all future eligibility for state pensions (people insured by the Social Security gain eligibility for pensions as they work through their active life); or
- 2) quit their fund, return to Social Security and have their accumulated assets transferred back to Social Security.

The social insurance pension programs cover old-age, disability, accidental disability, work injury, widows and orphans' benefits, and survivors' benefits upon death of the insured.

The “new” pension system

Effective January 1, 2011, the Hungarian Parliament approved legislation affecting eligibility, contribution levels, and the funding of the State pension system.

Main features of the system

- A mandatory choice between State Social Security System and Private Pension Funds
- A Two-Pillar System:
 - Pillar 1:
 - State Social Security System (pay-as-you-go system), for those opting out of the previously mandatory Private Pension Funds
 - Private Pension Funds, for those opting to stay in the previously mandatory
 - Private Pension Funds
 - Pillar 2: Voluntary Mutual Pension Funds (VMPF)
- Generous tax incentives to encourage voluntary contributions to private pension funds, mainly through employer-sponsored Voluntary Mutual Benefit Funds;
- Choice for employees between current and new system.

Under the new law, all private pension fund members who chose to stay in the pension fund had to make a statement to that effect until January 31, 2011. These people retained their private pension fund savings, but lost the opportunity to gain further eligibility to social security pension. (The term “further” means that the eligibility to social security pension is gained gradually as the person gains “service period” during employment. The service period gained before the deadline still constitutes a basis for social security pension, but no further service period is gained by those who chose to stay in the private pension funds.)

People opting out of the private pension funds have a chance to access their real yields (yield above inflation) accumulated in the pension fund account, but will have the rest of their savings transferred to Social Security. On the other hand, they continue to gain service period in the Social Security System.

Contributions

The employers’ Social Security contributions (13% since 1 January 2023) will continue to be paid to the State’s pay-as-you-go system.

The 10% of employees’ contributions (up to the Social Security ceiling):

- Is paid entirely to the Social Security for those who opted out of the Private Pension Fund system
- Is paid entirely to the private pension fund account for those who opted to stay in a fund

In addition to the mandatory contributions, the State continues to encourage voluntary contributions to collective schemes (VMBFs) through tax incentives. There is no limit for contributions made to a VMBF.

Normal retirement age

Formerly 62 for both females and males (born before January 1, 1952). An increase has been set in motion where people born in 1952 can retire at age 62 ½, people born in 1953 at age 63, people born in 1954 at age 63 ½ and so on, until the retirement age reaches 65 (for people born in 1957). Early retirement will be permitted, but with a sharp reduction in benefits.

Typical employee benefits plans and benchmarking

Company 1 (2,669 employees, finance industry)

Insurance services	Sum insured (all employees)
Life insurance	2 * annual gross salary
Insurance for accidental death	1 * annual gross salary
Insurance for accidental disability	1 * annual gross salary
Insurance for total permanent disability	2 * annual gross salary
Insurance for accidental fracture of bone	HUF 75,000
Insurance for accidental incapacitation (lump sum benefit)	HUF 75,000
Insurance for accidental incapacitation (daily benefit)	HUF 10,000 / day
Insurance for accidental hospitalization (daily benefit)	HUF 10,000 / day
Insurance for accidental surgeries	
- minor surgeries	HUF 110,000
- average surgeries	HUF 550,000
- major surgeries	HUF 550,000
- critical surgeries	HUF 1,100,000

Company 2 (126 employees, pharmaceutical industry)

Insurance services	Sum insured (all employees)
Life insurance	1 * annual gross salary
Insurance for accidental death	HUF 2,000,000
Insurance for accidental disability	1 * annual gross salary
Insurance for traffic accidental death	HUF 1,000,000
Insurance for traffic accidental disability	HUF 1,000,000
Insurance for total permanent disability	HUF 1,000,000
Insurance for accidental fracture of bone	HUF 60,000
Insurance for accidental incapacitation (lump sum benefit)	HUF 60,000
Insurance for accidental hospitalization (lump sum benefit)	HUF 40,000
Insurance for incapacitation (daily benefit)	HUF 13,000 / day
Insurance for hospitalization (daily benefit)	HUF 25,000 / day
Insurance for surgeries	
- minor surgeries	HUF 75,000
- average surgeries	HUF 150,000
- major surgeries	HUF 300,000
- critical surgeries	HUF 600,000
Insurance for critical illnesses	HUF 600,000
Insurance for childbirth providing lump sum benefit	HUF 300,000
Insurance for reimbursement of accident-related costs	HUF 50,000

Company 3 (102 employees, IT industry)

Insurance services	Sum insured (all employees)
Life insurance	1 * annual gross salary
Insurance for accidental death	2 * annual gross salary
Insurance for accidental disability	1 * annual gross salary
Insurance for accidental fracture of bone	HUF 30,000
Insurance for accidental incapacitation (daily benefit)	HUF 6,000 / day
Insurance for accidental hospitalization (daily benefit)	HUF 5,000 / day
Insurance for accidental surgeries	
- minor surgeries	HUF 50,000
- average surgeries	HUF 100,000
- major surgeries	HUF 200,000
- critical surgeries	HUF 400,000

Company 4 (67 employees, engineering industry)

Insurance services	Sum insured (all employees)
Life insurance	1 * annual gross salary
Insurance for accidental death	1 * annual gross salary
Insurance for accidental disability	1 * annual gross salary
Insurance for total permanent disability	1 * annual gross salary

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 Alfa Vienna Insurance Group Zrt

Your Local Link to IGP in Hungary

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





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