IGP
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IGP Country Profile 2022

Hungary

Prepared by:
Aegon Hungary Composite Insurance Company

Preface

This Country Profile has been prepared by **Aegon Hungary Composite Insurance Company** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in around 70 countries throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston, our regional offices in Brussels and Singapore, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is managed by John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

The information contained in the IGP Country Profiles is considered proprietary and any material extracted from a profile must be attributed to IGP.

John Hancock Financial Services
P.O. Box 111, Boston, Massachusetts 02117
United States
T + 1 617-572-8677
E igpinfo@jhancock.com
W www.igpinfo.com

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AEGON Hungary Composite Insurance Company was Hungary's sole insurance company until 1986 and is the successor of the former national insurance company (called Állami Biztosító, State Insurance Company). In 1992, it was acquired by the Netherlands-based AEGON Group. The AEGON Group has roots dating back 150 years and, in previous years, was among the world's largest insurance groups based on market capitalization. The AEGON Group has a significant share of the world's life and pension insurance market with 90 percent of its revenue resulting from these services. The AEGON Group also has a traditional presence in the accident and health insurance markets.

AEGON is one of the largest institutional investors in Hungary for 25 years. Aegon Asset Management is a part of the Aegon Group, one of the world's leading financial services organizations, providing life insurance, pensions and asset management. Institutional and private investors entrust Aegon Hungary Asset Management to manage approximately HUF 745.8 billion (USD 1.8718 billion) as at June 30, 2022. Aegon Hungary Asset Management won the Fund Manager of the Year award in the *Privátbankár.hu Klasszis awards* in 2015, 2017, 2020 and 2021 as well. Like its parent company, AEGON has a strong and growing presence in the life and pension insurance markets. In 2020, life insurance premium income in Hungary amounted to HUF 549 billion (USD 1.378 billion). AEGON's share of this market is 8.41% (on an adjusted basis).

In the individual market, as per 2020, AEGON is the third largest insurer in Hungary with a 11.07% market share. AEGON is also the leader in the household insurance sector with a 31% share of this market. AEGON places great emphasis on exploring the need for corporate personal (life, accident, sickness, health) insurance and fulfilling these needs with its high-quality products and services.

AEGON's pension fund, the AEGON Voluntary Pension Fund, celebrated its 26th anniversary in 2021. The fund had a membership of 170,800 and HUF 217.8 bn assets under management at the end of 2021, making AEGON the third largest player in the voluntary mutual pension market.

AEGON has been an IGP Network Partner since 1991.

Key Employee Benefit Products

Life
- Lump sum death benefit

Accidental
- Accidental death
- Disability
- Hospitalization
- Surgical
- Sick leave benefits (short term disability)
- Bone fracture
- Burn injuries

Medical
- Disability (TPD)
- Hospitalization
- Surgical
- Sick leave benefits (short term disability)
- Critical illness
- Childbirth

Pensions
- Voluntary pension fund (managed funds)

Labor Code

The Hungarian Labor Code, which was introduced on January 1, 2012, reduced central control and increased the scope for local negotiations through collective bargaining.

The regulations also require that workers in all companies are given the opportunity to form a works council. Although, even where a works council does exist, only the trade union can conclude a collective bargaining agreement.

The labor code revised the severance benefits payable to any worker terminated for reasons other than normal or early retirement. The payment is a multiple of the average monthly wage and ranges from one month's pay for an employee with three years of employment to a maximum of six months' wages for an employee with twenty-five or more years of employment. Furthermore, if the individual is within five years of normal retirement, an additional six months' average wage is payable.

The code excludes senior managers (general manager or his or her deputies) and allows them to negotiate their own employment contracts.

Introduction:

The term "Social Security System," as used by the International Labor Office (ILO), embraces social insurance programs as well as public health, family allowances, and social assistance. Hungary largely follows this concept. Social insurance programs are traditionally financed through contributions, and benefits are linked to former contribution payments, or at least to labor market participation.

Social assistance programs are operated by local Governments and are financed through their own resources and transfers from the State budget.

Unemployment benefits are separate from Social Security. Unemployment benefits are provided by the Labor Market Fund, a fund that is financed through contributions from employers, employees, and by transfers from the State budget.

Private benefit plans are becoming more and more common in Hungary.
In the scope of a classical group insurance, employers may provide life, accident, and sickness insurance cover to their employees.
The insurance elements can be combined at discretion (with certain limitations), making it possible to compile the most appropriate, customized insurance package for the company.

Several employee groups can be created within the company, with different types of insurance and sums insured provided to the various groups.

The company management can thereby offer different insurance services to employees in different positions and roles, which most satisfy the needs of the company and its employees.

Social Security Contributions:

At present, the employer contribution is equal to 15.5% of all earnings (Social Contribution Tax) and 1.5% to vocational training.

As of July 1, 2020, employees pay 18.5% levy on gross wages, which is called Social Security Contribution. All contributions are payable on all earnings.

Effective November 1, 2010, the Government cancelled the contributions to Private Pension Funds, in an effort to steer as many members of these Private Pension Funds as possible back to the Social Security System. Members could opt to stay in their Private Pension Fund or return to the Social Security System.

Members who chose to stay in their Private Pension Fund, continue to contribute 10% of their gross salary to this fund but lost further eligibility to a State Pension. Members who opted to have their assets accumulated in their Private Pension Fund transferred back to the Social Security, contribute 10% of their gross salary to this Social Security and retain the possibility to gain further eligibility to a State Pension.

In order to supplement the decreased contribution rate afforded by the Health Insurance Fund, an earmarked tax was introduced in 1998, which is called Health Care Contribution. The tax category provides for a percentage obligation. The former per capita obligation is abolished.

The percentage obligation (15.5%) typically refers to taxable income upon which employers do not have to pay any Social Security contribution.

<table>
<tr><th colspan="2">DEATH BENEFITS</th></tr>
<tr><th>Social Security Benefits</th><th>Customary Private Employee Benefits</th></tr>
<tr><td>In order for a survivors’ benefit to be paid, the deceased must have been eligible before death for an old-age or disability pension, or have received such a benefit. Further eligibility conditions exist for all survivors' benefits.

Spouse’s Pension
A widow/widower's pension may be granted to the wife or husband, regardless of whether she or he is separated or divorced.

The widow/widower may receive 60% of the pension of the deceased as a temporary pension. In certain cases, this can be followed by his/her own pension and 30% of the pension to which the deceased was, or would have been entitled to, at the time of death.

A widow/widower's pension may be temporary or permanent. A temporary pension, granted for a period of one year after the death of the husband or the wife, requires no further conditions. A permanent pension is granted at the time of the husband's/wife's death, if the widow/widower has reached the age of entitlement for an old-age pension, if she/he is disabled, or if she/he cares for two or more children who are entitled to an orphan's pension.

Orphans’ Pension
A benefit of 30% of the pension of the insured is payable to each half orphan under age 16 (25, if student). A benefit of 60% of the pension is payable to each full orphan or half orphan with a disabled parent. Effective January 1, 2022, the minimum benefit for orphans is HUF 50,000 per month per child.</td><td>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 is an accident suffered by the Insured during the respective risk bearing of the Insurance Company including this risk, 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.</td></tr>
</table>

DISABILITY BENEFITS

Social Security Benefits

This program covers disability and work injury. Disabled refers to a person below retirement age who is incapable of continuing his/her work due to a deterioration of health or physical or mental capacity. Work-injured refers to a person incapacitated by an industrial accident or illness caused by an occupational hazard.

Eligibility

An insured person, who has a health status of at most 60%, and who has completed the required service period, is entitled to a disability provision.

The length of the required service period depends upon the person's age. The requirement is two years of service up to age 22, then it increases in proportion with age until it reaches ten years (eight years for some occupations) after the age of 35. After the age of 45 and up to age 54, the required service period is 15 years; after age 55, the service period is 20 years.

An insured person under the age of 22, who began work within six months of completing his/her studies, is entitled to a disability provision regardless of the service period.

No service period requirements exist with regard to disability provisions as a result of an industrial accident or occupational illness.

To qualify for a provision, the disabled person must have a health status of at most 60%, must have completed the required years of employment, and must not work regularly. If they do work, their earnings must be at most 70% of their previous income. The entitlement is terminated if a medical council states that the beneficiary's condition has improved significantly.

Upon reaching retirement age, the provision is converted to an old-age pension.

Disability Benefits

The benefit level is determined by the category of the disability. The base for the disability provision is the average monthly salary. (Source: http://www.kormanyhivatal.hu)

Health status	Rehabilitation	Disability category	Provision	Min. provision in HUF	Max. provision in HUF
61-100%	N/A	A	None	None	None
51-60%	Yes	B1	35%	33,880	45,170
	No	B2	40%	33,880	50,815
31-50%	Yes	C1	45%	45,170	56,460
	No	C2	60%	50,815	
1-30%	N/A (No)	D	65%	56,460	169,380
		E	70%	62,110	

Category A doesn't grant any kind of disability provision; therefore the health status cannot exceed 60% if a person is to receive any disability benefit from the Social Security.

Categories D and E constitute the most severe cases of disability. D is for people that can be re-employed but only with continuous support, whereas E is for people who can't even take care of themselves

Customary Private Employee Benefits

Non-accidental Permanent Total Disability (PTD)

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

Note: The definition of PTD is based on the Social Security rules and covers categories D and E.

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 on the effective resolution of the competent authority that is determining the disability provision. The Insurer pays the sum insured effective at the time of the issue of the resolution. 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 a cover 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".

DISABILITY BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
Sick Pay In principle, the total insured working population is covered by the sick pay program. Meeting the basic eligibility criteria, the program covers wage and salary earners, civil servants, and all self-employed, who, since 1989, pay the full contribution amount. Exceptions are members of specialized agricultural groups and spouses assisting their husband/wife in their job (assisting family member). For this group, however, instead of sick pay, there is an entitlement to a sick allowance under the regulations for agricultural cooperatives. These groups pay flat-rate contributions and receive flat-rate benefits. To be eligible, the person must have had continuous insurance, with interruptions of no longer than 30 days, or for only a limited period after termination of insurance. Beneficiaries of old-age or disability pensions with earned income as of April 1, 1995 are no longer entitled to sick pay. Those receiving unemployment benefits are not eligible to receive sick pay. Sick Pay Benefits Any compensation provided during the first 15 working days of absence due to sickness is the responsibility of the employer and not the Health Insurance Fund. During this period, the employer pays 80% of the salary to the employee. From then onward, one-third of this compensation is provided by the employer and two-thirds by Social Security. The employer is also obliged to finance one-third of the sick pay expenses (excluding accident, sick pay for caring for children) of its employees. The maximum length of sick pay is generally one year. Any insurance period below the maximum of eligibility, prior to the illness shortens the length of sick pay accordingly. In the case of a sickness lasting for more than one year, the insured has access to a disability pension (depending on the decision of the medical committee), or is transferred to a job suitable to his/her state of health and where respective retraining is provided. During this period, the insured is entitled to other cash benefits not regulated within the framework of social insurance. Since 2001, there is no longer a cap on the base for payment. The benefit is 60% of the sick pay base if the coverage is continuous for at least two years, and 50% if the coverage is continuous for less than two years or in the case of hospitalization. In the case of illness resulting from an occupational accident or illness, the replacement rate is 100%, irrespective of the period of coverage. In case of a road accident, the replacement rate is 90%. The maximum gross daily benefit is HUF 13,333 effective January 1,2022. Sick pay is subject to personal income tax, but not to Social Security contributions. (Source: https://egbiztpenzbeli.tcs.allamkincstar.gov.hu)	

<table>
<tr><th colspan="2">DISABILITY BENEFITS</th></tr>
<tr><th>Social Security Benefits</th><th>Customary Private Employee Benefits</th></tr>
<tr><td>Sick Pay for Caring of Sick Children
The general coverage and eligibility conditions for this category are the same as those for the above-mentioned sick pay program. In addition, there are the following criteria and benefits:

• sick pay is granted to a mother or single father, who provides care for a dependent child under the age of one year, and
• for a mother, single father, or two-parent family that provides care for a dependent sick child between the age of one and twelve.

The benefit is paid for the entire period of the illness of a child under the age of one year; for 84 calendar days per year for each child between the age of one and three; for 42 days (84 days for a single parent) per year for each child between the age of three and six; and for 14 days (28 days for a single parent) per year for each child between the age of six and twelve.

As with normal sick pay, this benefit is subject to personal income tax, but individual contributions shall not be paid.</td><td></td></tr>
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<table>
<tr><th colspan="2">MATERNITY BENEFITS</th></tr>
<tr><th>Social Security Benefits</th><th>Customary Private Employee Benefits</th></tr>
<tr><td>As of May 1, 2010, new regulations came into force. The main difference from previous years is that the Child Care Aid is not receivable after the 3rd birthday of the child (after the period of Child Care Allowance). The new regulation stipulates that a person is either eligible for Infant Care Allowance (in which case they're also eligible for Child Care Allowance) or otherwise is eligible for Child Care Aid right from delivery.

Infant Care Allowance - Eligibility
All insured women are covered.
To be eligible, the woman must have been insured for at least 365 days during the two years preceding delivery, or have given birth within 42 days after the expiration of her insurance.

Infant Care Allowance - Benefits
The maternity allowance is payable during the statutory maternity leave of 24 weeks, including four weeks prior to the due date.

The full rate of the maternity allowance is 70% of the daily average earnings. The daily average is based on the gross earnings in the calendar year, if the person had 180 days of salary; if not, then the 180 days of salary earned in the two previous years before childbirth are taken into consideration. In case the woman does not have 180 salaried days, then the base is 30% of two times the minimum salary. Or, if the amount is higher than the range payment, then the use of salary is considered. The maternity allowance is subject to personal income tax but not to Social Security contributions.

Child Care Allowance - Eligibility
To be eligible, one must have been insured for at least 365 days in the 2 years prior to the application.

Child Care Allowance – Benefits (CSED)
As of July 1, 2021, 100% of the parent's earned salary until 168 days prior to which time the receiving parent cannot work.

Child Care Aid – Eligibility (GYED)
70% of the average monthly salary, but not more than HUF 280,000 in 2022. Receivable from the expiry of CSED until the 2nd birthday of the child.

Child Care Aid – Benefits (GYES)
The monthly flat-rate benefit is HUF 28,500 for 2021 (equal to the minimum old-age pension). The insured can receive the child care allowance until the 3rd birthday of the child. (It can be extended until the 10th birthday of a handicapped child.)

The child care aid is not subject to personal income tax, but a 10% pension levy has to be paid to Social Security.
(Source:
https://egbiztpenzbeli.tcs.allamkincstar.gov.hu/ell%C3%A1t%C3%A1sok.html)</td><td>Childbirth Insurance - Benefits
This is a very popular (although expensive) coverage nowadays, certainly when the majority of the employees are young people. This insurance pays a lump sum benefit, if a baby is born in the family of the insured.</td></tr>
</table>

MEDICAL BENEFITS

Social Security Benefits

There are two basic forms of health care benefits: pharmaceuticals provided free of charge (under public assistance), and benefits (in cash or kind) to cover higher medical costs under the exceptional Social Benefit Scheme. The coverage and eligibility criteria under both schemes are largely identical.

Coverage

Coverage includes the total population and all foreigners, if there is a reciprocity agreement with the respective country.

Eligibility

In general, only persons with a low income are eligible.

A public benefit card for receipt of free pharmaceuticals is provided to the following: minors in State and orphans' homes, individuals receiving regular social benefits, war veterans receiving cash benefits, families receiving family benefits, while the husband is in military service, individuals receiving central social benefits, individuals receiving disability allowance, and children of parents receiving the increased family allowance.

In addition, other individuals or families may be given the public benefit card, which allows them to receive free medication because of their age, number of children, poor health status, or low income.

Benefits

The public benefit cards are issued by local councils. Once the card is issued, doctors use a prescription form that exempts the patient from payment.

Special social benefits to cover higher pharmaceutical costs may be granted to individuals in need. The benefits are provided in cash or in kind and are granted (by local councils) up to a maximum of six times a year.

Source of Funds

The costs of the health care program are covered by the Health Insurance Fund (HIF).

Customary Private Employee Benefits

Provided for employees working locally, group life packages often consist of indemnity payments (serving as income replacement) for each day of hospitalization. An income replacement rider (locally referred to as "medical coverage") provides a lump-sum benefit, payable per day of hospitalization.

Many employers also add to their basic group life cover insurance to cover events such as hospitalization, incapacitation, surgery, etc., due to accidents.

Group medical covers for employees traveling abroad are also available on the insurance market with some plans providing travel assistance services as well.

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 case the insured is hospitalized and undergoes surgery as a consequence of an accident, then the Insurer pays a fixed amount benefit defined in advance 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 is an accident suffered by the Insured during the respective risk bearing of the Insurance Company including this risk, 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 insurance provides a benefit for hospitalization and incapacity to work resulting not only from accidents, but from illnesses as well.

MEDICAL BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
	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 attendance. When somebody is not registered in these systems, the health care contribution has to be paid under agreement to receive the health care attendance.

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 dermato-venereological, oenological, and neuropsychiatry dispensaries.

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

Social Security Benefits

Eligibility

The mandatory pension program covers the total working population; hence, employees in all sectors and the self-employed are included.

The rules of normal retirement age have changed since 1996 due to the amendments in the Social Insurance Law. To receive an old-age pension, one should be 62 with at least 20 years of service. The retirement age is on the rise again. People born in 1953 can still retire at the age of 63, but people born in subsequent years are allowed to retire at age 63 plus half a year for each year that they're born after 1953. (I.e. people of 1954 at 63½, people of 1955 at 64 and so on.) This increasing retirement age is capped at 65 years of age (for people born in 1957).

In order to be eligible for a full pension, the minimum insurance period is 20 years, and for a partial pension it is 15 years. The calculation of the partial pension is based on the amount of the full pension.

The insurance period consists of contributory and non-contributory periods. The latter are specified by law and are very generous, comprising not only periods of military service, sick leave, and maternity leave, but also unpaid leave for child care (for children below age three, or age ten if disabled), years of higher education (statutory period, i.e., up to six years), unpaid leave for construction of one's own house (one year), care of a close relative or dependent (one year). Moreover, since 1989 periods of receipt of unemployment benefits count as non-contributory periods.

The period spent on university studies does not form a part of the service period (since December 31, 1997).

Benefits

The amount of the old-age pension depends on the number of years of service and the monthly average earnings. Only those earnings should be taken into consideration, which at the time of payment, according to the regulations in force, were the base for contributions.

If the pension is determined before January 1, 2015, the annual amounts of earnings should be decreased by the personal income tax paid in those years.

Since 1997, the amount of the full old-age pension is as follows:

Years of Service	Percentage of Monthly Average Earnings
15 to 25 years	43%+2% per year over 15
25 to 36 years	63%+1% per year over 25
36 to 40 years	74%+1.5% per year over 36
40 years or more	80%+2% per year over 40

Customary Private Employee 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 on a salary basis, and the amount of the support is around 2-6%. (For further details on voluntary mutual pension funds, please see page 19-20).

The individual pension product offered by AEGON Hungary General Insurance Company, 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

Social Security Benefits	Customary Private Employee Benefits
If the monthly average salary being used for calculating the pension amount, determined after December 31, 2012, is higher than HUF 372,000 the following graduated formula is applied for adjusting the average monthly salary:	

Average Monthly (Gross) Earnings (HUF)	Pension on the Base of the Average Monthly Earnings
372,001–421,000	90%
above 421,000	80%

Pension is then calculated on the above adjustment.

The assessed income reflects the total average earnings on which contributions were paid, minus personal income tax. Earnings include salaries and wages, benefits in kind, rewards, end-of-year bonuses, and premiums.

Effective in 1999, when determining the pension base, the amounts of any unemployment annuities, child-care allowances, and social provisions should not be considered.

Before assessing the after-tax average monthly salary, the income in the calendar years prior to the date of the retirement shall be adjusted to the income level in the second year before the retirement.

An increase of 7% of pension is payable for each year of deferral past normal retirement age (up to a maximum of 100% of pension base average earnings) for workers in certain industries. The scheme of pre-pension ceased on January 1, 1998.

Pensions in payment are revalued in January linked to the average growth of the price index and nominal day of net wages/earnings of the previous year.

Old-Age Pension provides 25-64% of the monthly after-tax salary prior to retirement. (Average monthly after-tax salary in February 2022 was approximately HUF 374,800). (Source: https://www.ksh.hu/docs/hun/xftp/gyor/ker/ker2202.html)

The minimum old-age pension is HUF 28,500 per month as of January 2016 (still in force in 2022). (The average pension amount is HUF 160,960 as of January 2022). (Source: https://index.hu/gazdasag/2021/12/31/ez-var-a-nyugdijasokra-2022-ben/)

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. As described earlier, 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. The main features of the new system are:

- 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 (15.5% in 2020) 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.

Voluntary Mutual Benefit Funds

Introduction:

It has become increasingly clear over the course of the past decade that the State budget is unable to cover the ever-growing expenditures of the uniform compulsory Social Security system. The demand for introduction of Mutual Aid Societies and Voluntary Mutual Benefit Funds (VMBFs) has manifested itself through the reform of public finances and is viewed as an integral part of the renewal of the Social Security system. VMBFs provide a new, non-compulsory institutional form of self-provision, based on solidarity.

The 1993 reforms of the Social Security system, which introduced contribution and benefit ceilings, increased the need for supplementary pension schemes, particularly for higher paid employees, who would not be able to maintain their pre-retirement lifestyles without a supplemental pension income.

In November 1993, the law on Voluntary Mutual Benefit Funds (VMBFs) was enacted by Parliament in order to encourage the establishment of employee benefit plans.

Types of Voluntary Mutual Benefit Funds:

The law permits the establishment of three types of employee benefit funds:

Pension Funds

The Pension Funds (VMPFs) are fully funded and vested arrangements. The law applies more to Defined Contribution plans, but the funds still have the option of establishing Defined Benefit plans. In the case of a pension fund, the regulation ensures self-development in all respects. Different from other types of VMBFs, the pension funds are regulated very strictly. The ten-year waiting period, set by law, during which the savings may not be withdrawn, largely contributes to meeting the security requirement. The investment policy represents another element of security.

Mutual Aid Funds

The Mutual Aid Fund, in addition to its typical services (benefits provided in case of sickness, child-raising, death), may also offer a service that provides specific aid in the case of unemployment. This type of fund is basically pay-as-you-go; its receipts and expenditures must be balanced on an annual basis.

Health Care Funds

The Health Care Funds can provide services on top of the compulsory health insurance. The supplement provides quality health care and promotes good health.

VMBFs can be established by employees of a single employer, of a multi-employer group, by social groups, or by local community groups. The funds are supervised by the Supervisory Authority of Financial Organizations (PSZÁF).

Funding and Administration:

The VMBF may be established by at least 15 people (natural persons only) and can be financed through both employee and employer contributions into a self-administered tax-sheltered fund.

As of January 1999, more than 300 pension funds were started up, but as a result of mergers and acquisitions, as well as the aforementioned abolishment of the former 2nd pillar, there are 79 pension funds today, beside the 36 health care funds. The number of members has grown significantly. There are approximately 1.2 million members. With competition increasing in the market, the funds have increased steadily and the increased reserves have simultaneously reduced their operating costs. Voluntary funds can achieve efficient operation with a membership in excess of 50,000. The majority of smaller funds are expected to merge, within two or three years, with larger partners having greater capital strength.

Voluntary mutual pension funds have collected assets of approximately HUF 1,675 billion as of the end of 2021. (Source: https://novekedes.hu/hirek/oposz-gyarapodo-tagletszam-es-vagyon-az-onkentes-penztarakban)
Voluntary pension funds are very popular among local employees and employers. Even multinational employers have been gradually following suit.

The law contains flexible provisions regarding contribution levels. Employee contributions can be a fixed amount, or a level percentage of pay, while the employer's matching contributions can be any percentage of pay equal for all members.

Three categories of permitted investments were established for VMBFs. The proportions of funds that may be devoted to each are modified for the three types of VMBFs.

1. The investments of voluntary funds can be classified in the following categories:

a) Cash assets: cash assets in HUF and foreign exchange;
b) Bank account;
c) Fixed deposit:
ca) Amount deposited on bank deposit account for not more than one year,
cb) Amount deposited on bank deposit account for more than one year;
d) Securities embodying credit relations:
da) Hungarian Government Securities,
db) Securities backed by the Hungarian State as cash guarantor,
dc) Securities issued in OECD Member States, sold in Hungary and introduced to recognized security market,
dd) Bonds sold publicly by business organizations registered in Hungary and covered by bank guaranty,
de) Bonds sold publicly by business organizations registered in Hungary,
df) Bonds sold publicly by banks registered in Hungary,
dg) Bonds sold publicly by any local community of Hungary,
dh) Bonds issued in OECD Member States, sold in Hungary, and introduced to recognized securities market,
di) Bonds issued by international financial organization, sold in Hungary, and introduced to recognized securities market,
dj) Bonds issued abroad and sold in Hungary;
e) Shares:
ea) Category A shares introduced and listed at the Budapest Stock Exchange,
eb) Category B shares introduced and listed at the Budapest Stock Exchange,
ec) Shares issued in Hungary and introduced to recognized securities markets,
ed) Shares issued in OECD countries and introduced to recognized securities markets;
f) Investment notes:
fa) Investment note issued by closed-end securities fund registered in Hungary,
fb) Investment note issued by open-end securities fund registered in Hungary,
fc) Investment note issued by investment fund registered abroad and introduced to recognized securities market in Hungary,
fd) Investment note issued by real estate fund registered in Hungary;
g) Debenture bond issued by mortgage bank registered in Hungary;
h) Real estate;
i) Forward deals on stock exchange;
j) Option deals on stock exchange;
k) Membership loan;

2. Of the assets listed under point 1:

a) Portfolio class I includes assets listed under ca), and of the assets listed under da) and db), the working assets;
b) Portfolio class II includes assets listed under cb), dc), dd), df), di), ea), g), and of the assets listed under da), db), the assets registered as invested assets;
c) Portfolio class III includes assets listed under points de), dg), dh), dj), eb), ec), ed), fc), fd), h), i), j), k).

VMBF asset managers must be authorized investment funds or similar, and the fund manager cannot be a VMBF officer. Insurers and financial institutions may only be VMBF managers if the activity is approved by their own supervisory authority.

Other Social Security Benefits

Family Allowance

In order to increase social care for families and children, the government created a separate law providing for family allowances, which took effect on January 1, 1999. It is a universal benefit. Starting January 1, 2001, its supervising body is the Regional Treasury Office.

Coverage: The coverage is universal (independent of the family's income) for families with children.

Eligibility: Children under the age of 16, or between 16 and 20 if in secondary school, are eligible. Students at vocational schools, and handicapped children incapable of gainful employment, or those receiving a disability allowance are also eligible.

Benefits: The benefits payable depend on the number of children, family status (two parents, single parent), and the health status of the child/children.

Monthly Allowance per Child in HUF effective since January 1, 2015:

Family with one child:	HUF 12,200/child
Single parent with one child:	HUF 13,700/child
Family with two children:	HUF 13,300/child
Single parent with two children:	HUF 14,800/child
Family with three or more children:	HUF 16,000/child
Single parent with three or more children:	HUF 17,000/child
Family with handicapped child:	HUF 23,300/child
Single parent with handicapped child:	HUF 25,900/child

The family allowance is exempt from personal income tax and Social Security contributions. (Source: https://officina.hu/belfoeld/38-csaladi-potlek)

Social Assistance

Social Assistance comprises regular and exceptional allowances, including allowance for the blind, a benefit for war veterans, a benefit for dependents of conscripts, a schooling benefit, and others. These benefits can be claimed from the local councils, either in writing or in person. The local council also establishes eligibility (whether paid by the council or by Social Security).

Coverage: Coverage includes the total population, as well as foreigners, if there is a reciprocity agreement with the respective country.

Eligibility: For most benefits, eligibility is determined by the applicant's income situation (except for the personal allowance for the blind).
For a number of regular allowances, the income situation of relatives, who are capable of and obliged to support the claimant, is reviewed. For the schooling benefit, the family's per capita income must not exceed the minimum disability pension under Category I.

Benefits: Once granted, benefits are paid monthly. The actual amount of the benefits is always below the subsistence level, which is defined by the current minimum pension amount. Except for the exceptional allowances, all cash benefits are sent by mail.

Source of Funds: Regular and exceptional allowances are financed by local councils from State budget transfers and other resources.

TAXATION

Tax reform in Hungary is viewed as having started in 1988, which was the year personal income tax and value-added tax were introduced.

Type of Insurance	Contributions	Benefits
Voluntary Mutual Benefit Funds	• Employers may account for their contributions to any type of mutual benefit fund as other personal-type expense. • Naturally, no tax discount can be exercised on the fee paid. The employee can get back 20% of their contributions to a pension fund paid from their taxed income as a reimbursement to their pension account. This reimbursement cannot be higher than HUF 150,000 per year.	Cash and in-kind benefits paid by VMBFs - as the benefits provided for in the Act on Funds, are not subject to personal income tax.
Any type of Employee Benefit plan	Contributions from the Employer: • Employers may deduct their contributions to any type of employee benefit plan as a business expense.	Benefits paid by an insurer – caused by an insurance event – in the framework of private benefit plans, are tax-free.
Pure Risk Cover	Contributions from the Employee: • Premiums paid by the employer for pure risk cover, such as group life and accident, are considered benefits in kind exempt from taxes; i.e. they are not subject to personal income tax and Social Security contributions.	
Life and Pension Insurance with a Savings Element	• Premiums paid by the employer for life and pension insurance, with a savings element, are subject to personal income tax and Social Security contributions. • Concerning the voluntary contribution paid by the employee, 20% of it can be reimbursed from the person's income tax to the employee's pension account (with an annual maximum of HUF 150,000). • The contribution paid by the employer is not added to the person's income, thus no PIT should be paid on it.	

TAX CHANGES ON GROUP LIFE INSURANCES FROM JANUARY 1, 2019

The mid-year tax law bill was introduced and published in the Hungarian Official Gazette on July 25, 2018, which affects the taxation of the group life insurance contracts paid by the employers.
The tax changes are effective for the *existing* and *new* **individual** life, accident & health and **group** life, accident & health insurance policies starting **January 1, 2019**.
The premium of the insurance of the employee does not increase the tax base as it is still an incurred expense in the interest of the corporation.
Important to note is that the tax / contribution liabilities must be paid by the 12th day of the month following the month when the insurance premium is paid.

Taxes Payable by Employer (since July 1, 2020)	
Social Contribution Tax	**15.5%**
Vocational Training Contribution	**1.5%**
	17%

Taxes Payable by Employee (since July 1, 2020)	
Personal Income Tax	**15%**
Social Security Contribution	**18.5%**
	33.5%

Benchmarking Information (based on Network Partner's portfolio)

	%
Group Life Coverage	**16.40%**
Term Life Insurance	7.49%
Accidental Death	8.91%
Survivor's benefits	
Employer contribution only	
Disability Coverage	**23.62%**
Long term disability	
Short term disability	
Employer contribution only	
Healthcare Coverage	**8.50%**
Hospitalisation	8.19%
Dental	
Vision	
Critical Illness	0.31%
Employee Assistance programme	
Employer contribution only	
Retirement Plans	
DC	
DC - Employer contribution only	
DB	
DB - Employer contribution only	
Other	
Wellness& Wellbeing Programmes	
Flex benefits	
Other Coverages	**51.48%**

Inflation Trend Projection

Year	Expected Inflation %
2019	3.4%
2020	3.3%
2021	5.1%
2022	10.2%
2023	6.8-9.2%

(Source: https://www.penzcentrum.hu/gazdasag/20220612/nagyon-mellelottek-sokkal-magasabb-a-magyar-inflacio-mint-az-oecd-remelte-1125793; https://24.hu/fn/gazdasag/2022/06/28/inflacio-mnb-2022-2023/)

Trends

Private benefit plans are becoming more and more common in Hungary.

Sample Employee Benefits

Company 1 (422 employees, wholesale industry)

Insurance services	Sum insured (all employees)
Life insurance	2 * annual gross salary
Insurance for accidental death	2 * annual gross salary
Insurance for accidental disability	2 * annual gross salary
Insurance for total permanent disability	2 * annual gross salary
Insurance for accidental incapacitation (daily benefit)	HUF 10,000 / day

Company 2 (1,125 employees, consultancy industry)

Insurance services	Sum insured (all employees)
Life insurance	2 * annual gross salary
Insurance for accidental disability	2 * annual gross salary
Insurance for accidental fracture of bones	HUF 50,000
Insurance for accidental incapacitation (daily benefit)	HUF 4,000 / day
Insurance for accidental hospitalization (daily benefit)	HUF 7,000 / day
Insurance for accidental surgeries	
minor surgeries	HUF 75,000
average surgeries	HUF 150,000
major surgeries	HUF 300,000
critical surgeries	HUF 600,000

Company 3 (845 employees, business services 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 4 (190 employees, pharmaceutical industry)

Insurance services	Sum insured (managers)	Sum insured (employees)
Life insurance	HUF 14,000,000	HUF 8,000,000
Insurance for accidental death	HUF 6,000,000	HUF 2,000,000
Insurance for accidental disability	HUF 8,000,000	HUF 4,000,000
Insurance for accidental fracture of bone	HUF 100,000	HUF 100,000
Insurance for accidental incapacitation (lump sum benefit)	HUF 100,000	HUF 100,000
Insurance for accidental incapacitation (daily benefit)	HUF 6,750 / day	HUF 6,750 / day
Insurance for accidental hospitalization (daily benefit)	HUF 8,250 / day	HUF 8,250 / day
Insurance for accidental surgeries		
minor surgeries	HUF 125,000	HUF 125,000
average surgeries	HUF 250,000	HUF 250,000
major surgeries	HUF 500,000	HUF 500,000
critical surgeries	HUF 1,000,000	HUF 1,000,000
Insurance for critical illnesses	HUF 6,000,000	HUF 3,000,000
Insurance for reimbursement of accident-related costs	HUF 50,000	HUF 50,000

Useful Links

Demographic information:	CIA World Factbook (please select the country to review)
Macro-Economic indicators:	CIA World Factbook (please select the country to review)
More information on the IGP Network Partner:	IGP – Your Local Link in Hungary
AEGON Composite Insurance Company:	www.aegon.hu *(Annual Report available in English)*
AEGON Group:	www.aegon.com *(Information available in English)*