



# *Employee Benefits Trends in India*

---

**American Benefits Council**

Benefits Passport Webinar: Trends in Australia & Asia

Alda Dhingra  
Vice President  
Prudent Insurance Brokers Pvt Ltd



1 Profile of Employee Benefits in India

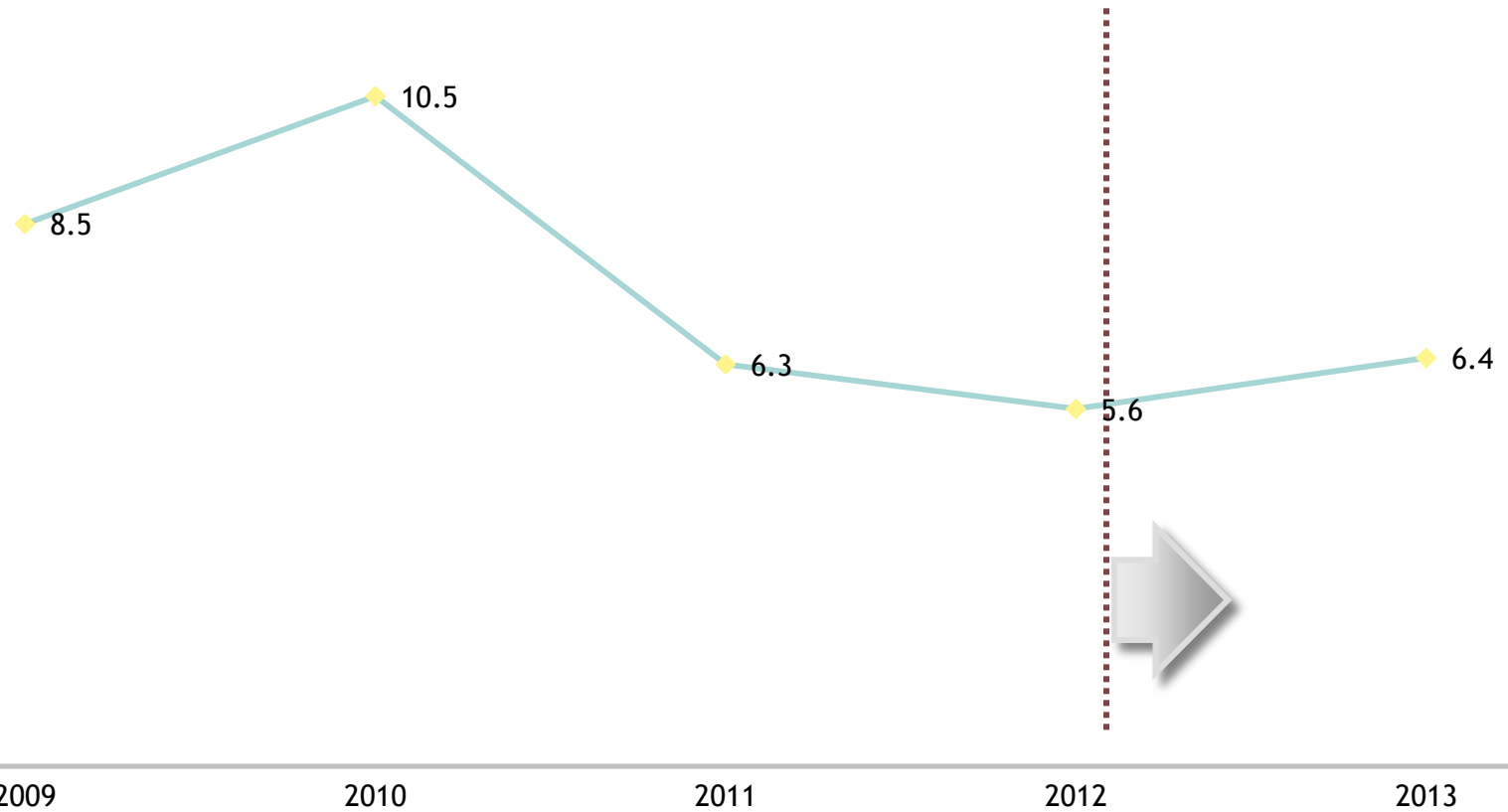
2 National Pension Scheme & Superannuation

3 The Payment of Gratuity (Amendment) Bill, 2012

4 Top 3 Benefits & Wellness

5 Market Update

# India's GDP Growth Rate



\* Source: World Bank.

# Profile of Employee Benefits in India

## Statutory

- Employee Provident Fund
- Employee Pension Scheme
- Employee State Insurance Scheme
- Payment of Gratuity

## Voluntary

- Health & Medical Insurance benefits (>90%)
- Accidental Death & Disability (>85%)
- Life Insurance (>35%)
- Leave Encashment
- Superannuation (>10%)
- National Pension System (~100 companies)

# National Pension Scheme

National Pension System (NPS) is a DC based pension scheme which provides investors an option to avail of market based returns

Two tiers:

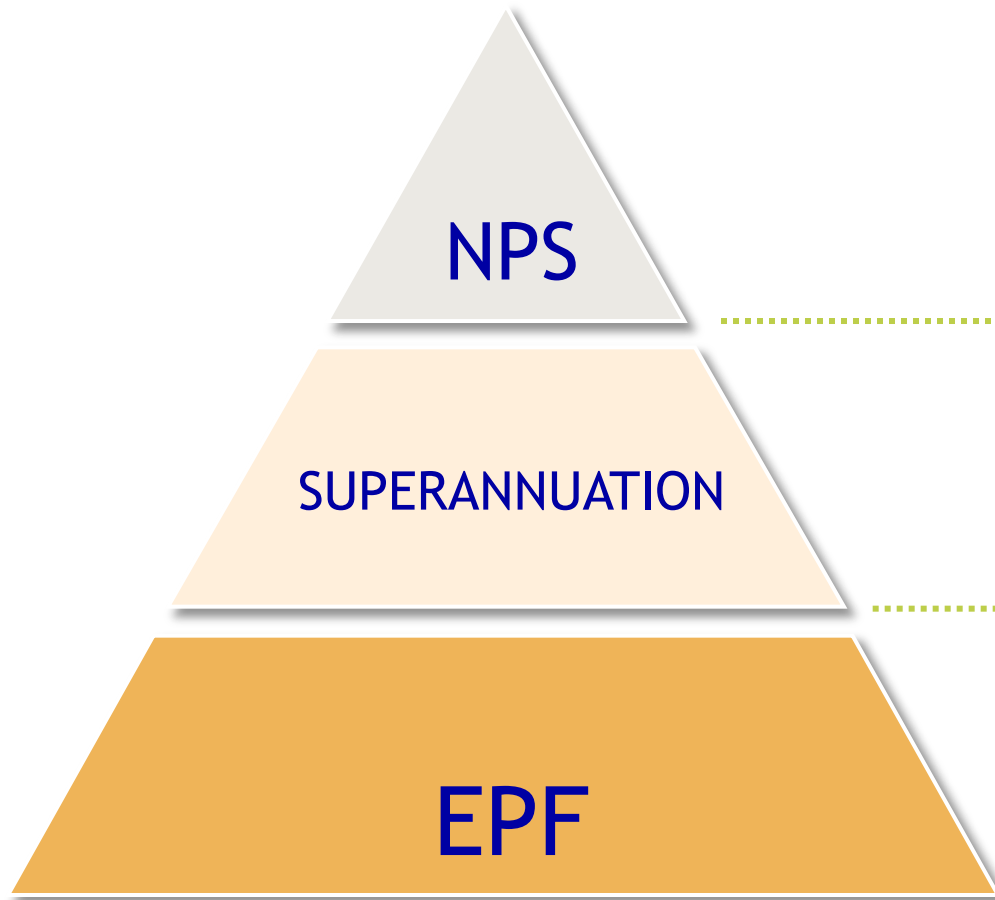
- **Tier-I account:** This NPS account is created by employer; does not allow premature withdrawal until age 60; 40% must go into annuities
  - 10% of Basic Salary + Allowances tax free
- **Tier-II account:** The tier-II NPS account is an individual account; permits withdrawal.
  - 10% of Basic Salary + Allowances tax free

Advantages:

- Full Portability
- Tax savings structure benefits higher earning employees
  - E-E-T may change to E-E-E

# How the PF and Pension Schemes Stack Up

*A known devil is better than an unknown devil*



- 10% of Salary Tax Free over and above tax benefits on SA; portability but no guaranteed return, no early withdrawal
- 15% of Basic Salary, Tax free to EE up to Rs. 100K; Capital protection and Guaranteed return
- 12% of Basic Salary, Eligible on Basic Salary up to Rs. 6,500; Government declared returns

# THE PAYMENT OF GRATUITY (AMENDMENT) BILL, 2012

*Going up?*

Gratuity	Statutory payout of “gratuitous” amount to employee having completed 5 years of service
Basis of payout	15 days Basic Salary per completed year of service
Proposed basis of payout	30 days’ salary for every completed year of service
Tax free limit	Was raised to Rs. 1 million from Rs. 350K in 2010

# Top 3 Benefits

## Mediclaim

- Hospitalization Cover
- Family includes Parents
- Buy back pre-existing exclusions and Maternity
- Minimal Dental/Vision/OP D

## Accident & Disability

- AD at X of salary
- PTD
- PPD
- TTD (Weekly Benefits up to 104 weeks)
- Accidental Medex

## Life

- Life at X of salary
- Riders
  - CI
  - PTD
  - Sickness Disability



### Challenges

- Employers with strong Wellness Programs in US doing more
- Employee Engagement, not Wellness
- EAP and Physical Health
- ROI not measurable



# Market Updates

Medical Insurance Claims Ratios	<ul style="list-style-type: none"><li>○ 2009-10: Private Sector 111% / Industry 131%</li><li>○ 2010-11: Private Sector 94% / Industry 107%</li></ul>
Portability	<ul style="list-style-type: none"><li>○ Portability of pre-existing coverage from group plan to individual plan allowed from 1 Oct 2011</li><li>○ Top up plans for corporate members</li></ul>
Government Health Scheme for All	<ul style="list-style-type: none"><li>○ 2008: Rashtriya Swasthya Bima Yojana</li><li>○ Sustainability as claims increase?</li><li>○ Minimum level of employer sponsored health insurance proposed</li></ul>
Medical Inflation	<ul style="list-style-type: none"><li>○ 20%; GIPSA rates and PSU competition keeping claims premiums down</li><li>○ GIPSA rates renegotiation in progress</li></ul>

# Market Updates, cont'd...

## ESI

- Minimum monthly salary eligibility raised to Rs. 25,000 in Sept 2013

## Group Mediclaim

Health was subsidized so people increased benefits → Premium correction, PSU cartel, GIPSA  
No changes in benefits last few years: Room rent caps and co-payments to control claims but no increase in SI  
Last 12 months market again soft but no one is reviewing their benefits  
Voluntary Parent coverage building rules around entries and exits

## GPA and GTL

- Evolving from a poorly defined benefit to a well defined benefit: linking sum insured to salaries
- CI rider important
- GPA must be admitted, including in Overseas Business Travel

## Compensation

- Salary increases have been relatively modest since 2008 (10%-12%)

## Paternity Leave

- Companies considering offering or increasing paternity leave; government may mandate 5 days

# What a broker is expected to do?



- Assist with claims due to inefficiencies of TPAs and hospitals



- Provide “Wellness” Services



- Provide online services and apps for smart phones



## Contact Information

[alda.dhingra@prudentbrokers.com](mailto:alda.dhingra@prudentbrokers.com)

[international@prudentbrokers.com](mailto:international@prudentbrokers.com)

+ 91 991 069 2660

[www.prudentbrokers.com](http://www.prudentbrokers.com)