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I SUMMARY

Social Security

Eligibility	All employed persons and their dependants.
Retirement Age	60M/55F
Contributions	Employer contributions only with 30% of payroll up to RUB 624,000.
Retirement Benefits	Since 1 January 2015 according to Federal Law dated 28 December 2013 retirement pension shall be calculated by using a new formula involving following factors like length of work, salary amount and retirement age. Minimum length of work is 15 years.
Disability Benefits	Basic amounts depend on three degrees of disability and number of dependants. Monthly base pensions vary between RUB 3,675.20 and 10,376.86. Supplements are paid.
Death Benefits	Benefits to family members of the deceased are paid in the form of a pension. Special benefits apply to military personnel, radiation accidents and cosmonauts.
Medical Benefits	Medical services are provided directly to patients by government health providers. This includes general and specialist care, hospitalisation, laboratory services, dental care, maternity care, and transportation, disbursements of payments for medication, prosthetic device, medical rehabilitation etc.
Other Benefits	<p>Social insurance includes benefits such as temporary incapacity benefit, maternity benefit, adoption benefit, maternity grant home care benefit for child, funeral grant, etc.</p> <p>Compulsory social insurance for industrial injuries and disease includes benefit for temporary loss of capacity to work, lump sum payment and monthly insurance compensation.</p> <p>All benefits are provided by the Social Security Fund.</p>

Private Benefit Plans

Benefit plans according to western standards are still not common.

Benefits such as group life insurance, accidental death and dismemberment and medical are available. A lump sum death benefit typically amounts to 2--4 times annual salary. The same benefit is normally paid in the event of total disability. On account of inflation, only lump sums are paid.

Taxation

	Group Life & Accident plans	Saving plans	Medical plans
Contributions	<p>Not taxable if the maximum amount of average contribution per employee does not exceed RUB 15,000 per year.</p> <p>Premiums paid are not included into employees' taxable income.</p>	<p>Employer contributions on saving plans will be tax-deductible for Profit Tax up to the amount of 12% of the employees' annual payroll if contract term is not less than 5 years</p> <p>Qualifying Conditions</p> <ul style="list-style-type: none"> • The insurance payments in off-budget funds are paid from specified contributions. • The contract of pension insurance may provide lifelong and other payments schedules as well as a lump sum payment option. 	<p>Employer contributions on medical plans will be tax-deductible up to the amount of 6% of the employees' annual payroll.</p> <p>Qualifying Conditions</p> <ul style="list-style-type: none"> • Insurance payments in off-budget funds are paid from specified contributions. • Insurance contract concluded for at least 12 months.
Benefits	<p>Not taxed</p> <p>Benefits are not considered taxable income for an employee.</p>	<p>Benefits are taxed by personal income tax to be withheld by the provider, currently at the flat rate of 13%.</p>	<p>N/A, as benefits are not payable in a monetary form.</p>

II INTRODUCTION

Country Statistics

Population/ growth rate	142,470,272 (July 2014 est.) / -0.03% (2014 est.)
Age structure	
0-14 years:	16.4%
15-24 years:	10.7%
25-54 years:	45.8 %
55-64 years:	13.3%
65 years and over:	13.1% (2014 est.)
GDP purchasing power parity	USD 2,553 trillion (2013 est.)
Real growth rate	1.3% (2013 est.)
Agriculture	4.2%
Industry	37.5%
Services	58.3% (2013 est.)
Unemployment rate	5.8% (2013 est.)
Inflation rate	6.8% (2013 est.)
Annual Gross Salary (Moscow region only)*	in ,000 RUB
Semi-professionals	General: 536 Skilled: 773
Professionals	Junior: 1,116 Senior: 1,610
Management	Lower: 2,322 Upper: 3,778
Legal minimum wage (Minimum National Salary)	RUB 5,965 (2015)
Exchange rate on February 27, 2015	1 RUB = 0.0163 USD
Currency: Russian Rouble	1 RUB = 0.0146 EUR

*Source: Mercer's International Geographic Salary Differentials, Edition 2015

Legislation and Insurance Market Update in Brief

Late 2013 the Russian parliament passed a package of laws on state old age pensions. Transition to the new rules has started in 2015.

III SOCIAL SECURITY

Background Information

Russia has undergone significant changes since the collapse of the Soviet Union, moving from an isolated, centrally-planned economy to a more market-based and globally integrated economy. The political changes in Russia were strongly interconnected with economic developments. Economic reforms in the 1990s privatised most industries, with notable exceptions in the energy and defence-related sectors.

Since the dissolution of the USSR, there have also been many discussions regarding the introduction of a new social security system. At first the old system remained in force in the new Russian Federation. There have been, however, numerous amendments which changed Russia's social security system and provided room for private employee benefit plans to develop.

Russian social security can be described as a dual system consisting of social insurance and social assistance. The administration of social insurance is in the hands of the Republic Ministry of Social Security and the Republic Committee for Labour and Social Security.

Non-admitted insurance is not permitted.

Eligibility

All employed persons and their dependants are eligible, as well as farmers, crafts persons and clergy. There are special provisions for students, teachers, physicians, sportspersons and pilots. A special so-called social pension is provided for the disadvantaged-aged, the disabled and survivors not eligible for other social insurance protection. Furthermore, a voluntary supplemental system exists for all workers.

Contributions

All contributions are paid by the employer.

Retirement Benefits

Retirement Age

Normal retirement: 60M/55F

Qualifying Conditions

Retirement pension is payable as of age 60M/55F and after 15 years of employment.

Benefits

The average pension amounted to RUB 10,889.00 at the end of 2014. The government declared a new level of average pension at the level RUB 12,367 by the end of 2015.

Since 01 January 2015 according to Federal Law dated 28 December 2013 retirement pension shall be calculated by using a new formula involving following factors: length of work, salary amount and retirement age. Minimum length of work is 15 years.

In addition, a basic social pension is payable to persons who are not eligible for the above labour-based pension or a disability pension.

Disability Benefits

Qualifying Conditions

As of January 1, 2010 the level of the disability pension will be fixed according to the degree of disability, instead of being based on the restriction of the ability to work, which was applied earlier. This will allow the payment of higher disability pensions.

Benefits

Since February 1, 2015 the base amount of monthly pension depends on degree of disability and number of dependents:

First degree: RUB 3,675.20

Second degree: RUB 4,323.74

Third degree: RUB 3,675.20

Supplements depending on geographical area (e.g. northern part of the republic), type of work and number of dependants are paid.

The disability pension is paid for the period of disability. On reaching the pension age, the retirement pension is paid.

Death Benefits

Qualifying Conditions

Loss of breadwinner

Pension for the loss of the breadwinner is paid to disabled members of families depending on member category.

Benefits

Loss of breadwinner

Pension for loss of breadwinner for members of families of military casualties

Reason for death	Amount of pension
Military trauma	40 % of earnings of breadwinner per each disabled member of family
Death during military service	30 % of earnings of breadwinner per each disabled member of family

Pension for loss of breadwinner is paid to disabled members of families of the citizens who were lost due to the Chernobyl accident at the rate of 250% base part of pension for the loss of the breadwinner for each member of families.

Pension for loss of breadwinner is paid to disabled members of families of the citizens who were lost due to radioactive or technogenic accidents at the rate of 250% of social pension for orphans and 125% for each disabled member of the family.

Sickness Benefits

Qualifying Conditions

All residents of Russia are eligible for medical care free of charge.

Benefits

A sickness benefit of 100% of earnings is extended if the insured has been working continuously for over 8 years. The benefit is reduced to 80% if work lasted for 5 to 8 years or to 60% if the insured worked for less than 5 years but more than 6 months.

The maximum monthly benefit is as follows:

- RUB 24,041.09 monthly benefit is due to employees with less than 5 years of employment but more than 6 months
- RUB 32,054.79 monthly benefit is due to employees with less than 8 years of employment but more than 5 years
- RUB 40,068.49 monthly if employment is 8 years or more

Employees with less than 6 months of employment receive a maximum monthly benefit equal to the minimum wage.

Medical/Health Benefits

Medical Benefits

Medical services are provided directly to patients by government health providers. This includes general and specialist care, hospitalization, laboratory services, dental care, maternity care, and transportation. A patient ordinarily pays part of the cost of appliances. Medication, if provided during hospitalization, is free of charge. In some instances, the insured has to pay part of the cost. Medical benefits also extend to dependants.

State Health Plans

Since January 1, 1995, all Russian citizens have compulsory medical insurance policies under which medical treatment, surgery, hospitalization, nursing, dental care, medical equipment, transportation and rehabilitation are free of charge to all citizens. Enterprises contribute 5.1% of payroll to the compulsory medical insurance funds.

Private Health Plans

Private health plans are a very popular employee benefit, as the state health care is not sufficient.

Work Injury Benefits

When disability is due to occupational injury, 100% of earnings are paid as of the first day of incapacity to work, either until recovery or the granting of a permanent disability pension. The amount of a permanent disability pension is the same as for non-work-related disability. There is no distinction between work-related and a non-work-related permanent disability. In addition, the full cost of equipment and medication is covered.

In case of death due to injury at work or due to sickness caused by hazardous conditions at work, a general survivors' benefit is paid out.

Unemployment Benefits

Qualifying Conditions

Unemployment coverage is extended to all employees in Russia: From age 16 to 59M/54F. There will be a heavy reliance on government subsidies since employer contributions are not high enough to finance future unemployment benefits. Another option for the future would be to raise the contribution level.

The insured must be registered at the employment office and must demonstrate the ability and willingness to work. There will be a reduction of benefits if the worker is discharged due to violation of work discipline, leaving without good cause or fraudulent behaviour. The benefits may also be cancelled for the above reasons.

Benefits

The amount of the unemployment benefit is determined by the government of the Russian Federation. In 2013 the minimum amount was RUB 850 and the maximum increased to RUB 4,900. Unemployment benefit is paid as of the first day of unemployment. Each period of payment of unemployment benefits does not exceed 12 months in total within a period of 26 calendar months, except as foreseen by federal laws.

Unemployed persons are not excluded from State Health Plans in spite of the fact that they do not contribute to the State Health Fund during unemployment.

Other Benefits

Maternity Benefits

A maternity benefit becomes due in the amount of 100% of earnings payable for 70 days prior to and 70 days after date of birth. A monthly benefit – that cannot be less than the minimum wage - will be paid until the child reaches 18 months. Either parent has the option to receive full- or part-time leave until the child is 3 years old. For those insured for at least six months, the maternity allowance is equal to 100% of the employee's average earnings, subject to a maximum average daily wage RUB 1,335.62.

Taxation

Social security benefits are not taxable except for a temporary disability benefit which is treated as income.

Employer contributions to social security are tax deductible for the employer, and are not considered taxable income for the employee. Social security employee contributions are tax-deductible.

Other Information

Indexation

All social security benefits are linked to the average gross salary calculated for the main branches of the economy. Due to a high rate of inflation (last year's inflation rate was about 11.36 %), benefits and state salaries are indexed once a year and salaries from private enterprises try to match this.

Reciprocal Social Security Agreements

The Russian Federation maintains agreements with all former republics of the USSR. Further agreements with western nations are being negotiated.

IV PRIVATE BENEFIT PLANS

Background Information

Private employee benefits are not mandatory. Traditional employee benefit plans in line with western standards have not yet been implemented by all employers. Employers can still choose from a large pool of unemployed persons and are not forced by the market to attract personnel through fringe benefits such as additional insurance provision. Furthermore, skilled employees are willing to change employment in order to improve their often sub-standard salaries.

However, the demand for private employee benefit plans in Russia exists and is increasing. Multinational companies and Russian employers in the so called “modern economy” consider the employee benefit package as a powerful motivation tool. Multinational companies have extended their HR policies to their Russian subsidiaries preferring to keep the level and scope of employee benefits in line with their international standards. Modern companies of Russian origin now use the best practices in HR management and have introduced private benefit plans as a standard retention solution.

Employee benefits such as group life, medical, accidental death and dismemberment, lump sum disability and injury, lump sum critical illness are available, as well as long-term life and pension insurance.

The following group coverages have currently the greatest potential for augmenting Russia’s social security system and are offered by private insurance companies:

- Medical insurance
- Life and accident policies in RUB, EUR and USD
- Pension plans
- Travel insurance for trips abroad.

Eligibility

Generally all employees

Contributions

Generally non-contributory (except for corporate pension plans where matching contributions are quite common).

Retirement Benefits

Retirement Age

Normal retirement: 60M/55F

Benefits

Since January 2015, employees who have not managed the money in their accounts themselves in Non-State Pension Funds (NPF) are not able to move it from the State Pension Fund anymore.

The majority of NPF operate on a defined contribution basis, with benefits dependent upon the value of the member's accumulated contributions and investment returns.

Besides the state pension fund, NPFs are the main players in a market of corporate pension insurance. Some large Russian firms have their own captive pension funds. Multinational companies introduce pension plans under either NPF or pension insurance solutions. But as a whole, at present very few companies in Russia provide pension plans for their employees.

Vesting

There are no regulations governing the vesting of retirement benefits on leaving service. A typical vesting schedule depends on the industry sector. For instance, a vesting schedule for a manufacturing company would give 10% of the assets sponsored by the employer and accumulated on a personal account after three years of service, rising to 100% after 20 years. For an FMCG distributor, this may be 25% after one year of service, 50% after three years and 100% after 5 years.

Death Benefits

100% of the sum assured is payable in full to the beneficiary (heirs-in-law, if the beneficiary has not been assigned).

Disability Benefits

- The permanent disability sum assured typically amounts to the one for the risk of death.
100%-60% of the sum assured is payable to the insured person for invalidity category I - III

Or

3%-100% of the sum assured for the risk of permanent (total or partial) disability depending on severity of injury/physical condition as specified in the permanent disability table of benefits.

According to the legislation the benefits are payable as a lump sum.

- Under the temporary disability coverage (accidental/due to any cause) a certain percentage of the sum assured for this risk is payable as a sick day daily allowance.

Medical/Health Benefits

Voluntary medical insurance is one of the most popular private benefit plans in Russia despite the mandatory health care insurance that covers all Russian citizens. The main reason for this is the poor standard of the medical services offered under the mandatory health care system. So, in general, voluntary health insurance opens access to better medical facilities and better medical services.

In accordance with RF legislation, voluntary medical insurance can only be arranged in the form of Managed Care, i.e. no monetary benefits may be payable to the insured person. Insurance companies maintain direct service contracts with a number of medical state-owned and private facilities and simply effects payments against the invoices issued by a clinic to reimburse expenses related to the medical treatment of the insured individual.

Voluntary medical insurance typically covers out-patient, in-patient and dental treatment, ambulance, physician home visits and may include other packages as well. The level of benefits depends on the selected insurance plan and may vary depending on the specific client's needs. All the insured have 24-hr access to the insurer's call-centre staffed by trained medical coordinators.

An *Out-Patient Services* programme constitutes an important part of the plan and normally features a full range of medical services in a certain polyclinic or a network of clinics. Home visits are arranged by the use of a physician from the chosen polyclinic. The programme may be supplemented by the use of an Assistance Medical Company that is staffed by physicians that see patients themselves or arrange necessary referrals to the specialists in the polyclinic.

Usually the *In-Patient Services* plan comprises emergency and scheduled hospitalisation in hospitals of higher class. The range of services includes standard two-bed room accommodation, intensive care, all the necessary diagnostics, therapeutic and surgery treatment, medication, board, etc.

Ambulance usually goes together with "In-Patient Services", and includes:

- ambulance emergency calls and the necessary on-site diagnostics and treatment;
- medical transportation to the hospital in the event of emergency hospitalisation

A typical *Dental Care* plan includes surgical and therapeutic dentistry and never covers implants/prosthetics.

Some programmes that are not a part of a standard plan may nevertheless be offered as *Special Riders*. For instance, the "pregnancy package" (pregnancy monitoring, pre-natal care and delivery), programmes for people suffering from diabetes, aged patients, paediatric programmes, etc., usually called "Special Riders".

Special riders may be either included in the group plan or offered on an ASO (Administrative Service Only) basis.

Sickness and Work Injury Benefits

For accidental temporary partial disability, a lump sum expressed as a percentage of the sum assured for this risk depending on the severity (as per the table of benefits) is payable to the insured person. Typically, it does not exceed 1 times annual salary and is capped by rounding (e.g. 1 x annual, but no more than EUR 40 000).

Other Benefits

- Life & Accident Insurance Benefits (L&A): Mostly group life & accident plans are concluded for one year, though it is not mandatory. If the contract is concluded for more than 1 year, the rates are reviewed annually. Principal coverage for the risk of accidental death or death due to any cause is usually supplemented by disability (permanent total and partial disability or invalidity Cat. I-III according to Russian classification) and injury cover. Critical illness coverage is becoming more and more popular as those illnesses are excluded from medical coverage. Optional covers such as hospital cash benefits and surgical intervention may be added to the L & A employee benefit package as well. The sum assured for the risks under group life & accident coverage is either fixed, or related to the insured annual income. The sum assured is normally specified for each given risk covered. The most widespread face amount for the risk of death is 2 times annual salary.
- Hospital Cash Benefits: A certain percentage of the sum assured for the given risk is payable as a daily allowance hospital cash benefit. This amount is usually capped (e.g. 0.1% of the sum assured per day, but no more than EUR 100).
- Surgical Intervention Benefits: A lump sum benefit is payable in accordance with the table of surgical intervention benefits as a percentage of the sum assured for the given risk.
- Critical Illness Benefits: A lump sum benefit may be paid either in the form of accelerated death benefit or independently. It typically does not exceed 1 times annual salary and is capped by rounding, (e.g. 1 x annual, but no more than EUR 40,000).

Taxation

	Group Life & Accident plans	Saving plans	Medical plans
Contributions	<p>Not taxable if the maximum amount of average contribution per employee does not exceed RUB 15,000 per year.</p> <p>Premiums paid are not included into employees' taxable income.</p>	<p>Employer contributions on saving plans will be tax-deductible for Profit Tax up to the amount of 12% of the employees' annual payroll if contract term is not less than 5 years</p> <p>Qualifying Conditions</p> <ul style="list-style-type: none"> • The insurance payments in off-budget funds are paid from specified contributions. • The contract of pension insurance may provide lifelong and other payments schedules as well as a lump sum payment option. 	<p>Employer contributions on medical plans will be tax-deductible up to the amount of 6% of the employees' annual payroll.</p> <p>Qualifying Conditions</p> <ul style="list-style-type: none"> • Insurance payments in off-budget funds are paid from specified contributions. • Insurance contract concluded for at least 12 months.
Benefits	<p>Not taxed</p> <p>Benefits are not considered taxable income for an employee.</p>	<p>Benefits are taxed by personal income tax to be withheld by the provider, currently at the flat rate of 13%.</p>	<p>N/A, as benefits are not payable in a monetary form.</p>

Double Taxation Agreements

Albania, Algeria, Argentina, Armenia , Austria, Australia, Azerbaijan, Belgium, Belorussia, , Bulgaria, Botswana, Canada, Chile, China, Croatia, Cyprus (protocol), Cuba, the Czech Republic, Denmark, Egypt, , Finland, France, , Germany, Greece, Hungary, Iceland, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Kazakhstan, Korea (Republic), Kuwait, Kyrgyz Republic , Lebanon, Lithuania, Latvia, Luxembourg, , Macedonia , Malaysia, Mali, Malta, Mexico, Moldova, Mongolia, Montenegro, Morocco, Namibia, the Netherlands, New Zealand, Norway, , the Philippines, Poland, Portugal, Republic of South Africa, Romania, Qatar, Saudi Arabia, Serbia, Singapore Slovakia, Slovenia, Spain, Sri Lanka, Sweden, Switzerland, Syria , Tajikistan, Thailand, Turkey, Turkmenistan, the United Kingdom, the United States of America, Uzbekistan, Ukraine, Venezuela and Vietnam.

Other Information

None.