



2Q15 Conference Call Transcript – Q&A – SULAMÉRICA

Operator

We will now start the Q&A session. Our first question comes from Mr. Gustavo Schroden from Bank Of America. Mr. Schroden, please you may go on.

Gustavo Schroden (Bank Of America Merrill Lynch)

Good morning everyone. Thank you for the opportunity and congratulations on the results. I am going to ask two questions. The first relates to the macro scenario. We have observed an increase in unemployment, perhaps at a quicker pace than what was expected. How much could this affect your earnings, mainly in the health segment? We know that normally there is a correlation with an increase in unemployment. I would like to know how you have seen this and what has been done to manage or try to minimize this impact and what is there to come in the future?

Gabriel Portella (CEO)

We have followed closely and obviously during a time like this, our level of attention increases and we perform mitigating actions with greater intensity. Unemployment has been growing and does not equally affect all sectors of the economy or all companies. It depends on your profile and risk portfolio. You mentioned the health example, we followed the movements of companies and we saw in these first six months that we had the same level of movement that we had in the second half of last year, be even so, through the strong performance of new sales, we have been growing the portfolio as you saw in the slide which demonstrates this development. On the other hand, also, we saw in the case of the auto segment, which is one of the segments most affected by the economy, that for example, the sale of new "0 km" cars was the most affected, whereas our fleet profile is much more focused on semi-new and used vehicles than "0 km" new ones, where the weight is much lower in our portfolio, Therefore, we increase our penetration in other segments, with news sales in health or by the type of vehicles in the auto fleet, which makes up for losses. From the claims management side, for these two segments, in both auto and health, there has been a greater intensification in activities, a focus, such that we can navigate this period, not unaware, but on the contrary, quite carefully, but

without any major damage. Let's see how the trends will be in the coming quarters, however management and the formula is the same: look for growth opportunities which are abundant in this market segment where we have the possibility and can compensate for a part of the effects of unemployment, but in our case it this trend hasn't been significant enough to impact our results.

Gustavo Schroden (Bank Of America Merrill Lynch)

That's great, thanks. My second question refers to the structural initiatives that you have been doing for about a year and a half, related to claims management. You have done a lot of work with hospitals, you have made direct purchases for certain equipment and specialized drugs. If we were to qualify, at what level or at what stage are you with these initiatives in terms of maturity? Are you in the beginning, in the middle, or already at the end of the cycle with these efforts? Is there still a lot to improve going forward? Are these initiatives at the beginning, middle, or end?

Mauricio Lopes (Vice President of Health and Dental)

They (initiatives) are permanent, since we began the big cycle of claims management and health management policy implementations, there has been a continuum of activities which end up overlapping. We have around thirty actions which overlap one over the other, some which are more mature, and others which are less mature. The direct procurement that you mentioned already is at large scale with the inclusion of hospitals in five specialties and they developing as time goes on. Health management takes a little longer. It is a more complex process in claims management is a little faster, but all are evolving on schedule. We are betting significantly on these activities and I think we are focusing on more than the immediate result, and nevertheless, we have been generating results in the now. The Company is making very large enhancements to the claims management and health management projects. This is in-house work. We work with 90% of our time spent on these claims and health management projects on a continuous basis.

Gustavo Schroden (Bank Of America Merrill Lynch)

So, they (projects) are permanent, the tendency is that the costs related to the loss ratio will continue to improve?

Mauricio Lopes (Vice President of Health and Dental)

What we have found is that every action you do, it is not permanent, it is not stable over time, as you develop it, you change it. So this huge set of actions that we had, in the past might have been a bit more stationary, however, you cannot say they are in a final state, because they are always evolving in every cycle, it has to evolve it because the market evolves

together. Again, in the direct purchasing of materials, the first model that we did is very different from the model that we practice today, the model we practice today is much more refined, it is much more evolved, and it is the same action. Therefore, it's not only a question of regionally expanding and activity, but also a question of calibrating the activity so it is more cohesive with the market reality that also evolves very rapidly. We aren't alone in this, other players and partners in the health segment supply chain also evolve, we are evolving together with them in these activities.

Gustavo Schroden (Bank Of America Merrill Lynch)

That's great, thank you for the responses.

Operator

The next question comes from Mr. Rafael Frade from Bradesco.

Rafael Frade (Bradesco)

Hi, good morning everyone, continuing with Mauricio.

Mauricio, as you have explained main times, there isn't a silver bullet in your management process, it's work from various initiatives. Now what calls attention, mainly, is the strong improvement in the second quarter, specifically, since we haven't seen this improvement in the past? I would like to know a little more, maybe when we look at the improvement of more than 400 BPS in the health loss ratio, if in fact it's not the improvement we are comparing with the first half, seeing that there was a reasonable level of provisioning for IBNR in the first quarter that didn't repeat in the second. Maybe this has benefitted a little the second quarter result, but even so, the half continues to be a strong improvement, of more than 200 BPS in the loss ratio. And how are you seeing this looking forward, as we are going to see a strong impact from the price readjustments. Considering these initiatives together, could we continue to see an improvement in the loss ratio for the next half? Would you comment a little about this?

Mauricio Lopes (Vice President of Health and Dental)

I have two comments here. The first of them is that I believe it's important to look at this first half than the quarter. The quarter is more volatile and we have known for some time and have already mentioned a few times that there are quarters which surprise us a little more to the upside or to the downside, but the reading on the half brings us a sense of stability, particularly since it captures a closed cycle in the third quarter and the fourth quarter reflects the application of our price readjustments from the last year. It provides a good view of what has occurred with the loss ratio, considering the improvement that you mentioned of 200 BPS. The cycle of price readjustments that began recently in May will continue until May or

July of the next year and also is related to a strong medical inflation (VCMH). We continue to see accelerated levels of medical inflation from the last year and there is a reflection of this tendency. If the VCMH decelerates, obviously you have an excess of price over the costs, if it doesn't decelerate, we are only going to discover this in the future. I think the key takeaway for us is that our underwriting policy continues to be done in a very consistent way, in various formats, not only the question of the price readjustments which was a point that you mentioned, but the cycle of readjustments that we have coming, but the question of the new contract pricing and in the management of the portfolio underwriting. For example, last year we launched a new dental portfolio, which demonstrated much more adherence to the market reality and performed much better in this last cycle recently. In the last month, this portfolio was more cohesive in terms of reimbursing and regions, etc. Also, we launched another dental product more or less two or three months ago that is showing to be very effective as far as sales, therefore I believe that that both with care both in underwriting and with the conditions, we are on a good path. In parallel we have the claims management activities that were commented already in Gustavo's question.

Rafael Frade (Bradesco)

Perfect, Mauricio. One additional question: Speaking about the insured member base growth, it called a lot of attention that the even in the Corporate portfolio we have slight growth, given the scenario, I believe that as Gabriel commented, it depends on the client profile. What calls attention, as Gustavo mentioned, is that there have been firings, and aside from this we have the perception that SulAmérica, as a premium player, would suffer more in the process of downgrades from corporate clients. I would like to understand this stability in the number of beneficiaries, understand a bit about this dynamic, which was basically maintenance of the portfolio, which had an effect from firings, but the sales were robust enough to compensate for this. If you could give us a vision about the change in this portfolio or if it simply maintained itself.

Mauricio Lopes (Vice President of Health and Dental)

Rafael, I believe that it is underwriting once again, the products are cohesive, we are finding open doors to sell our products in the correct manner, we are pricing in the most conservative way, with a focus on the long-term. And when you price well from the beginning, the client tends to continue for the long-term. With respect to portfolio movements, we did not see this effect from the economy in a general sense. We are seeing the same movements that we saw in the second half of last year, such that the mix of our portfolio has been a bit more protected. We are going to wait more and see, but we are ok with respect to this subject.

Rafael Frade (Bradesco)

My last question is more general for SulAmérica as a whole, in terms of the profitability. In the last twelve months we have observed an ROE of 16%, and in the last year you said that the company was comfortable to work at a level of 15%, but as was already mentioned, having still many doubts, but imagining that we are going to have a strong cycle of price readjustments now and the maintenance of insured members, this work for the reduction of health costs, it seems reasonable to imagine that the company would be delivering a level of profitability that is higher than 15% maybe 17 or 18%. Is this reasonable or are you reinvesting in the company, how are you seeing this question of profitability?

Arthur Farne (Vice President of Control and Investor Relations)

I believe that's an interesting observation, and we have been discussing this for some time. There is no mystery, this quarter revealed a positive combination of operational and financial results. Within the operations, as you have been exploring here with Mauricio, the results from health, were very good during the half. Auto segment results were also very good. Therefore, the two principal portfolios that represent more than 90% of our portfolio premiums, contribute to the operation and the margin. Administrative expenses, we have shown that it has improved less, therefore the operational costs and quality of the operations bring us to the level of profitability that you are seeing. We produce an ROE that is better each quarter and the objective of the Company's underwriting process, our choice of portfolios, and pricing is intrinsically linked to the objective of profit within the operations at SulAmérica.

Rafael Frade (Bradesco)

That's great Arthur, thank you.

Operator

The next question comes from Mr. Victor Schabbel from Credit Suisse. Mr. Schabbel you can proceed.

Victor Schabbel (Credit Suisse)

Good morning everyone, I first want to congratulate you for the results and the impressive improvement in loss ratio and operating ratios. Congratulations on your ability to reap the fruit of your efforts, especially in the last twelve months. Asking a question that would almost be a follow-up, a few points raised by Rafael Frade, with respect to this expansion of insured members in a challenging environment, although it was small but it has been positive given the scenario. Are you able to get a reading on how

many of these potential beneficiaries that you have that are in the process of being let go by the company and renewed with you as part of the temporary benefit for a certain time, for that six months. Are you able to get a read on this, we may be seeing a delayed effect of the first half layoffs over the next few months. Can you identify it or not, or it hasn't had much effect. If you could just comment, I thank you.

Mauricio Lopes (Vice President of Health and Dental)

We put in place strategies in order to live through these moments of crisis or to take better advantage of market opportunities. We have a fairly complete portfolio within what we interpret as being a good portfolio. Our affinity plans are very well calibrated, SMEs are fairly well calibrated, and ASOs have been well calibrated and business in general is fairly well calibrated. The natural shifts that are occurring or that are unnatural which occur in product portfolios, we have taken advantage of these grace periods, as stipulated by the regulator, these grace periods have facilitated the entry of clients who have shifted from one portfolio into another. We do not control in detail the entry of those moves and from which direction, what we realize is that we are having positive gains in nearly all of the portfolios. Then, however, we have an economy that seemingly cannot perform how we have been performing, we have portfolio growth which is more relevant, migration has occurred, and we have had new sales, which is the result of a successful business strategy. The commercial area is present in most of the regions where we have a good distribution network as well as a good service network for clients in quite competitive conditions. This has proven to be quite important for us in the portfolio, regardless of the state of the economy is on the outside the segment. For now, the changes are not as relevant as well and even though they are with some relevance, we are fairly complete portfolio to absorb people from one side or another.

Victor Schabbel (Credit Suisse)

Thank you, Mauricio.

If you would allow me to ask another question, with respect to the tax increase looking forward, how is this analysis evolving, the internal discussion, considering the eventual focus of the company as a health operator rather than a health insurer, anyway, to try to by-pass the future tax burden. You have done any analyses or studies related to this? At what point are you? Does it make sense to consider or not this possibility? If you could just give me a sense, I would also appreciate it.

Arthur Farme (Vice President of Control and Investor Relations)

This theme is complicated, in reality, we have to see how this ruling will evolve in reality. The impact will occur from September and includes this

final period in the calculation of the CSLL social contribution tax. We are not able to affirm at this moment that one model or another will offset this impact, I still think it is premature for us to take a position in this respect. There are these possibilities, yes, and the Company is studying many others as well, but in any case it is a theme which concerns us which impacts companies that are subject to this increase. In the appropriate forums, with the proper attention, we are discussing both institutionally and operationally those actions that we must take related to this theme. This is what I able to say for now.

Victor Schabbel (Credit Suisse)

Ok. Thank you, Arthur.

Operator

The next question comes from Mr. Domingos Falavina from JPMorgan. Mr. Falavina you may continue.

Domingos Falavina (JPMorgan)

Good morning everyone and thank you for the opportunity.

My question is to understand a little better this dynamic of the health loss ratio. I think this is a follow-up question from Rafael Frade. We noticed a very strong improvement of more than 400 BPS this quarter, I wanted to understand a little better when we look at the quarter, if there are any non-recurring events, something that we have to take into consideration. To see this, I would like to know, if you can share, how much of this is improvement in claims or the lack of growth in expenses compared to revenue growth, for example, of the 400 BPS, how much is this coming from price increases, just so we can have a sense of this is recurring or not, the improvement.

Mauricio Lopes (Vice President of Health and Dental)

There are no non-recurring events being considered in the loss ratio. This is a normal process and standard. What we have, looking at the view of the first half, which is better than looking at the quarter, to not have seasonal effects, I believe that the fact that we have seen able to conduct a good underwriting policy, considering the two items I mentioned, as far as maintaining the client within the company and with new sales, we have been able to achieve strong volumes of new sales. Obviously it is not everything we would like to have, but what is entering into our house is entering very well-price, i.e., the sustainability of this portfolio is better, and we have seen this in recent cycles. The results have proven to be quite good, so this is a first aspect. The price readjustment policy adopted two years ago, has proven to be successful, we have managed to retain clients,

but of course with due difficult economic times, given the difficulty of passing along this price increases, it is challenging for us to not ask for high increases, in short, what is being asked, being somehow accepted by the customer, they are betting on us, that we will have a better cycle in the future. On the other hand, although we continue to see growth in the frequency of utilization, the medical inflation, as it has been worldwide, we believe that the claims and health management activities, especially those that are a bit more long-term, will be profitable, bring good results, as they have been. The most basic actions, such as the bundling of procedures which had a great cycle in 2013, was replaced by the cycle of direct procurement in 2014 and returned in the 2015 cycle. Again, we are packaging procedures together, a matter of implementation, also conducting direct purchasing, second medical opinions, together all of these mixed together are showing results. If you had projected the VCMH medical inflation in the past and readjusted without having certainty in the claims contention activities, obviously there could be some upside from there and maybe this that we are looking at, would be a good underwriting policy and we trying to deliver results which were expected internally within the company, for claims management and the composition that you have understood. If this goes forward, we don't provide guidance, but anyway, we are working to have this process more mature in underwriting and in claims.

Domingos Falavina (JPMorgan)

It was clear, risk-adjusted underwriting is improving. Another question I have is more qualitative and directional. We looking the health insurance market, always have as a premise, your pricing, however given the worsening of the economic environment, rising unemployment tends to trigger increased frequency health plan utilization.

What we often do not discuss is the possibility of economic deterioration lead to a lower demand for the health insurance, given that fewer people have access to hospitals, therefore generating a more beneficial macro scenario for renegotiations with service providers. This is a topic that I do not see such recurrence. I wanted to have some idea of if when you are renegotiating, you are already seeing some kind of greater flexibility on the part of service providers, which could result in more favorable price adjustments thinking about the future?

Mauricio Lopes (Vice President of Health and Dental)

These two theses are good, the idea that you would have higher plan utilization given the increased unemployment, a higher churn in health plans, as well as the idea that bargaining power would be more balanced between the different players. Interestingly, with this, in the first thesis, the question of the increase in churn, we still haven't been able to observe this,

which was the response to the previous three questions. The thesis is good, but we still haven't been able to observe churn in a pronounced way here. When we start to observe this, maybe we will observe an increase in plan utilization as a result, even though I think that today we have done many more contingency activities for the control of claims to try and minimize a bit this effect than we had done in the crisis of 2008. Remember in 2008, the number of tools that the market had was much less than today, today, many of the practices that we were just beginning to think of then. Notably, medical boards, second opinions, direct purchasing, anyway, this whole story, without counting health management which was developed more recently, not homogeneously in the market, but some operators have been involved in this fight and are working hard, between them and SulAmérica, which could bear fruit even better in the future. Regarding the bargaining power between the parties, the belief that we have is that the SulAmérica's size already allows us to have a very mature and stable negotiation with the major players. I think that at this time we are looking to build relations more than the opposite. I think there is a bit more mature of an understanding among the players present in the chain that sustainability of the whole sector undergoes we have a bit of synergy and a little more alignment in the same direction. I am quite happy to comment that for about a year or two we have had more productive conversations, proactive conversations on both sides, to have a win-win policy between the parties. In a crisis environment, obviously, you can change the bargaining power of one side over the other, that's always a possibility, but when you talk of large blocks generating claims, I think the policy is now much less of a conflict and more symbiotic. I think we have climbed far in this respect. When we speak about small blocks of claims generation, speaking about the small medical practices, the driver isn't this, the driver today of the operator already for some time is the increase in compensation and what we have done is make many strong strides over the last five years, making readjustments in the prices paid to doctors and in the consultations. This should continue independently from the economic crisis, because we see that this will contribute to a market that is much more sustainable in the long-term. The thesis is good, but I don't believe that we are going to follow through with this, from a change in bargaining power, we plan to construct further synergies between partners.

Domingos Falavina (JPMorgan)

Perfect, it was very clear. Thank you and congratulations for the result.

Operator

The next question comes from Mr. Francisco Kops from Banco Safra. Mr. Kops, you may continue.

Francisco Kops (Banco Safra)

Good morning everyone. I also have two questions.

The first question is about health, I would just like to explore the competitive scenario a bit. SulAmérica has passed along strong price readjustments in the last three years and is possibly preparing another strong readjustment for 2015 and has maintained the number of lives in the portfolio at a satisfactory level. We see the health operators on the other hand with some problems related to capital, we know that there is a line converging between the requirements of ANS and the SUSEP requirements, anyway, in the future, it appears that I don't know if this has some impact in this improvement. In the last three quarters, it appears the SulAmérica or maybe the health insurance companies relative to the operators have a competitive advantage. I don't know if something has changed in the scenario or if you could explore this a bit, for this year and what you are seeing looking forward. That would be great.

Mauricio Lopes (Vice President of Health and Dental)

The competitive scenario in the healthcare market outlook remains difficult as it was before. It is a market that is being pressured and we have followed it for some time now. There are a handful of operators having difficulty, of course, and the data is public, as has been observed in recent years. I think that we have not a year since 2004 or 2005, that we have not had pressure from players, notably, less capitalized players, less reserved players, which have to cope with the rules of regulatory capital and solvency out there. In this respect of course, the insurance companies are somewhat more stabilized because they had already booked these requirements. Regarding the adjustment, the view I have here is that the entire market suffered from medical inflation pressure and compressed margins over the recent years and have behaved as we have. Looking at the results with little more attention, understanding that you need to have a very responsible underwriting, I think that especially in the last two cycles, for 2013 and 2014, and half of the year so far in 2015, the market has proven to be far more rational. This has obviously brings more stability to the market. So I think competitive arena will not change significantly, what changes is the mindset of the players, who understood that the pressure on the bottom line has been great and we had to, as a market has had to, find ways to achieve profitability which is necessary for the sector's sustainability. I think that's what the players did, each in their own way, and in their own format. SulAmérica has implemented measures to contain claims levels, with this great investment we have had in health management and a critical eye in underwriting. SulAmérica has had more or less one year not focused principally volumes and price quotations but yes for the results that enter in the doors. We don't fight for market share at all. We fight for results and sustainable operations. I believe that the market

has understood this and this is a good path to follow, especially for the market participants

Francisco Kops (Banco Safra)

Perfect Mauricio. Thank you.

If you would just allow me a second question, I think this one is more directed to Arthur. In the last three years, we have seen growth in health premiums, mainly, linking to price and price readjustments more than the number of insured members, and if we look at the administrative expenses ratio, it falls, which I think is good. I believe that this is a function of the readjustments, but my perception is that it could fall even more, especially since you have basically the same number of insured members or a number very close and a much higher price, therefore the structure of SulAmérica should be sufficient for the increase in revenues. Maybe I don't have knowledge of the fixed and variable costs of SulAmérica, but would wouldn't there be an opportunity for further improvement in this ratio?

Arthur Farne (Vice President of Control and Investor Relations)

We share your perception that there is space for improve in the general and administrative expenses ratio, the operation has scale and there still is capacity to continue to grow with the current salary base that we have. I believe that it is important for you to observe that insurance is IT intensive and the more intensive we are with IT the more productive we will be. Over the recent years we have been investing and modernizing our IT infrastructure. I believe that recently we have be able to understand our clients and brokers even better and supporting the operation such that it has been reflected in these indicators. Relative to premiums, we are seeing important gains in this indicator and obviously we look to have the correct level of profitability as a result of our investments in these operations, investments in the improvement of processes and all of this could generate gains in this indicator, yes But we need to keep in mind that investments are fundamental and necessary to support the size of the operation that the Company has been demonstrating and with a growth perspective as you have been seeing.

Francisco Kops (Banco Safra)

Thank you Arthur. That was clear.

Operator

The next question comes from Marcelo Cintra, from Goldman Sachs. Mr. Cintra you may continue.

Marcelo Cintra (Goldman Sachs)

Good morning everyone. Thank you for the question.

My first question is related to the auto segment, which we haven't spoken about yet. I would like to hear from you, how you are seeing the pricing scenario, if it will continue to be very healthy, if there has been some pressure with the auto insurance this quarter and how this has affected your fleet and underwriting policy?

Eduardo Dal Ri (Vice President of Auto and Other Property & Casualty)

Thank you for the question.

If you see our result, it has been binomial between growth in average premiums and fleet, which is always our pursuit, organic growth of quantity of items and this greatly helps us understanding to fleet and also the average premium which reflects in fact, our efforts and discipline in pricing and underwriting that we have applied on our portfolio. This pricing policy is good and the whole policy of pricing does not refer only to what we do, but we also have to be very attentive to what the market is doing. True, you have seen that the market has not had a price war this year, setting prices lower. Nevertheless, SulAmérica does not participate in these wars and this has not happened yet so we are reaping the fruits still, for this we have had higher performance in premium growth, I imagine that this answers your question.

Marcelo Cintra (Goldman Sachs)

Eduardo, just a quick follow up. As you have mentioned that there hasn't been any pressure, pressure on the market as a whole. I would like to know how you are seeing this looking forward, is this policy sustainable and rational? Such that the loss ratio is improving for the industry as a whole, with many benefits, the dismantling law e etc., and the Selic interest rate has been very high, as you have seen in this cycle.

Eduardo Dal Ri (Vice President of Auto and Other Property & Casualty)

We're not seeing any sign that shows that this is changing or will change, it is true that we cannot predict the future and much less our competitors. There has been, of course, things happening, such as the dismantling law which has helped the loss ratio. The high interest cycle being observed, is not enough to subsidize a large increase in the severity of the loss ratio and given that we are very focused on the future, and where we are heading, for example with the frequency of thefts, the impact of costs which are indexed to Exchange rates, anyway, it leaves the Market a little more

conservative in this moment. And to look only at interest rates in this moment, could be dangerous, because if we lower prices now, costs related to for example, seeing the numbers today that this war in respect to interest would occur at this moment.

Marcelo Cintra (Goldman Sachs)

Perfect, thank you.

My second question, I would like to return a little to the health segment when we speak principally about the loss ratio improvement, it was significant. There was a comment about the underwriting policy, prices and new volumes, and also we have the health management side. I would just like to understand you, what do you think will have a greater contribution to the improvement in the health loss ratio, would it be health management or more efficient pricing.

Mauricio Lopes (Vice President of Health and Dental)

It is all the work together, Marcelo. Discipline in underwriting is key, it is fundamental, without it there is no sustainability. Claims management brings short-term effective gain that we are seeing and health management already has short gain but it will bring more long-term benefits, that's the bet we are making. Therefore, this is all of the work together that we have been speaking about, this isn't a one-off it's structural.

Marcelo Cintra (Goldman Sachs)

Would a part of this improvement be structural due to your health management, which will be more long-term, but considering continuity, would be something more structural?

Mauricio Lopes (Vice President of Health and Dental)

All of the in-house investment projects over the recent years, outside of those which are regulatory-related, infrastructure projects are important, without a doubt. This is the bet that we are working for in this direction, I don't try to do any project that would be short-term, but projects that last a long time and have gains over the long-term. The loss ratio is the relationship between premiums and claims, therefore there is a second block which is pricing, underwriting, new sales, gains from new products, new regions to sell products, etc. This has been calibrated over the years and our focus is to be profitable. You have to look at the work all together as an impressionist painting and you can't understand the entirety of the work by looking at just one point.

Marcelo Cintra (Goldman Sachs)

Thats great, perfect. Thank you and congratulations for the results.

Operator

The next question comes from Mr. Gustavo Lôbo, from BTG Pactual. Mr. Lôbo please proceed.

Gustavo Lôbo (BTG Pactual)

Good morning everyone. Many of my questions have already been responded, but I still have two. In the first place, you have performed very well when you look back one year. You have priced well for this cycle and remained vigilant in the last four quarters. Had you been targeting an improvement in the loss ratio at more at less the magnitude that it was, a little more? a little less? Looking forward, are you targeting an improvement in the loss ratio or has the loss ratio levels of the last four quarters already been something in which you are comfortable to work with? Are you going to work to maintain these levels of profitability which have been very strong recently?

Arthur Farnes (Vice President of Control and Investor Relations)

You made a very interesting point, in reality this dynamics is a dynamic that is being permanently planted for the future. You observed that the 2014 movement is reflected in the improvement of 2015 and all of our modelling, Mauricio, Mauricio, Dal Ri and Marcelo here in the business units, are looking to the future. The Company's objective is overall profitability that has grown in these two operations, therefore the profitability premisses which have been incorporated into the pricing and modeling processes of the business units are which are going to produce these future results and the objective is SulAmérica's profitability.

Gustavo Lôbo (BTG Pactual)

Perfect, thank you. With respect to auto, my doubt is related to pricing also, there doesn't appear to be a very aggressive pricing war scenario beginning now. The market is very rational and the players are making money, so there is a favorable scenario for everyone. At some moment, this decline in claims costs, due to the decline in robbery and theft, is going to be passed along through to the pricing? I am not saying that someone is going to be very aggressive and willing to gain Market share, but price- in to the client a scenario that now is less risky for insurance companies, due to the fact that fewer cars are being robbed.

Eduardo Dal Ri (Vice President of Auto and Other Property & Casualty)

Theft is not the only input in our claims, there is much more. Theft today represents 30 to 35% depending on the region of the breakdown of everything that we spend with claims. It alone would not be responsible for

a very radical change in price, eventually, in a region that would have benefitted more than theft would have, the difference is that when we develop a pricing strategy, when we see some reductions such as robbery and theft or with auto parts costs, or frequency in general, I cannot look at frequency declining and already expect a decline in my price, because I am building my prices and my results for the upcoming year and I can't base all of my projections on a reduction in one variable immediately or not entirely. I do not believe that either us or a competitor is looking at just one variable

Gustavo Lôbo (BTG Pactual)

Ok, Thank you.