

Thiago Mendes, Merrill Lynch:

Good morning to all. I have two questions, the first one is you had a strong recovery in the health segment, with a growth in premium and lower claim loss ratio because of an adjustment in the prices of your portfolio, but when we compare with the 3Q11, especially as regards the loss ratio, the results this year have been similar.

How sustainable is that recovery in the 2Q13? Will the operational results go back to the same levels as this year? What has changed relative to the last cycle and what is going to happen in the 2Q13? What measures are in place? What are the contracts that you are not renewing anymore? This is the first part of my question.

My second question has to do with the growth in the number of members in dental and health insurance, there was a drop in this quarter. I know part of this had to do with because you cleaned up the portfolio, but is there an effect of a slower economic recovery and greater competitiveness? What do you expect going forward in terms of growth in this pace?

Gabriel Portella:

Good morning, Thiago. I am going to take your questions as they were received. The first one has to do with the growth, this quarter relative to the previous quarter it remained basically flat. In the 1Q11 there was an adjustment in an important contract in insurance, and this year that did not happen.

It is very much in line with what we are seeing in the market when we look at the ANS, the Brazilian regulatory health agency; there is an increase in the same proportion that we saw in data in the 1H.

According to ANS, it was expected for us to see a reduction, there is a seasonality, but there are also a series of measures we have been taking, firstly to increase prices, and this is reflecting our estimates in terms of the variation of frequency and average cost; secondly, actions that are not seen yet, but actions we have been taking to control utilization and cost.

So, this quarter is within the expectations, the outlook is positive, the trend is positive, and the reduction of the previous quarter had to do with seasonality and also because of the measures we did not take in the 2Q. We have only seen the results of these measures in this quarter, and we will move forward with that.

Relative to the 3Q13, it is too far away, we do not know how the market will behave. One of the strong indicators we now have regarding the trend is the frequency indicator, and this indicator presents signs of stabilization and even a slight decrease, so I think the trend for the future is good.

Thiago Mendes:

So, your strategy is to continue to adjust the prices as you did in the 3Q, right? This will reflect in what we see in terms of the future, right?

Gabriel Portella:

What we envisage for the future, we have to correct the past, and in this quarter we did better because the correction in the previous period, when we started a new period, we had to readdress the balance, and for the future we are looking at more stable loss ratios.

Your second question had to do with the cancelation, this had to do with our policies, the natural consequence of our policy was that there were some disagreements and some clients left, and we had a reduction in the portfolio. This has been offset by a significant and improving volume of new sales at a higher level than last year in the same period.

So, we have better risk now, with better prices. This reflects a new scenario, and some companies which did not accept our adjustments left the portfolio. The scenario, the outlook is good, it is always concerning in the area of health, but there is good stabilization now.

Thiago Mendes:

Thank you.

Francisco Kots, Banco Safra:

Good morning to all. Thank you very much for the call. My question has to do with the previous question, but I would like you to focus on price adjustment. You did this in health and the auto segment as well, but the big difference was that the total growth, which was 18% in health, was 4% in the auto business.

So, what is the difficulty in increasing prices in both sectors and the major differences between them? The number seems to show that the adjustments in the health business were better accepted by the market than in the auto business.

Astor Schmitt:

Thank you very much, Francisco, for your questions. The dynamics are different for both industries, the size of the adjustments in health are higher right away, they respond faster, because also of the way we account for the portfolio, but in the auto segment the effects of the new adjustments are perceived in time.

So, this small increase in premiums that we see now has been developing as of the end of the 1Q, and we will see the effects in the 3Q and the 4Q, it also positions the Company much better for 2013. These are two different dynamics and the responses of the market are different.

Francisco Kots:

No, this is clear, but what I would like to know is the market has been accepting the increase in prices, and also has to do with the competition in the industry. So, there is a greater difference between auto and health regarding your position to increase prices.

Thomaz Cabral de Menezes:

Just adding to what Astor had said, in health and auto alike the Company has been working in the health segment to do new sales. We have been working with our brokers network for health insurance and for the SME insurance, building on the demand that there is because we have now more formal jobs and the business community now is more aware of health insurance as a tool to attract and retain personnel.

So, we have been building throughout Brazil on this opportunity. Also, our commercial area has been very active in working with the brokers, and they have been doing an excellent job in terms of building on this opportunity.

Today, a very expressive part of our SME health insurance comes from brokers who are now working with health insurance, and we have been opening new channels and new fronts to distribute our health products.

The retention ratio is good, given the time we have been operating in the health industry, I think we have been reaping the fruits of the good job they have been doing. And the auto industry is a lot more competitive, there are new entrants in the market with prices and policies that are very competitive, and I think in the future this will have an impact on the results of their portfolio.

As we decided to grow more modestly, as was said by Astor, but focus more on profitability, and this trend should remain for the next few quarters.

Francisco Kots:

Thank you very much.

Henrique Caldeira, Barclays:

Good morning to all. Thank you very much for the call. I have one more question relative to your health business line. What about the number of claims in the group segment? 8% is historically high, and looking at the variation of medical expenses, 75% year on year despite the adjustment in price, which started in July, year on year there was an increase by 35%, and the number of members, we can infer that there is an issue with frequency and inflation in the medical expenses.

While we have these levels of inflation, the price readjustments will not be sufficient to recover the margin, so I was trying to understand what is happening to the margin, what has really driven this increase in frequency, this increase in medical expenses? This would

allow me to understand what would allow you to reverse to the mean, to a more normal situation.

Gabriel Portella:

The health cycle is very well defined. We had the Anniversary Day and, of course, best profitability is not an assurance of profitability, as is in the investment community.

In the previous quarter, there was nothing in terms of fundamentals that were not included in our focus. We wanted the trend to go back to normal and we wanted to limit the bad result of this year just to that quarter, which has not been so good because of the reasons we have explained.

The trend is positive, the trend is towards improvement. You have to think about two situations: first, the sale in those business lines, where the loss ratio is better, like SME. Dental also has better loss ratio and better profitability, and then the profile of the group policy, we have different levels of sales and commercialization in the portfolio.

So, when we look at this set of factors, the trend is towards improving margins, companies that were hurting margin are leaving the portfolio because they do not accept the price readjustment.

So, when I look forward, I think the outlook is positive at a level that is balanced, with an improvement in loss ratio, better profile, better tariff that are more adapted to the average costs and the frequency, growth in the dental market, in the SME market, to the detriment of those policies which are not profitable enough. Have I answered your question?

Henrique Caldeira:

The price adjustment scenery is an important component to recover the margin, but can we focus more on costs? This increase year on year comes from medical inflation, do you think this has peaked already? How much comes from this, and how much comes from frequency of utilization, and are you going to be able to control that going forward?

Gabriel Portella:

Frequency in the last period increased very strongly, and the trend is downwards, as regards frequency of utilization, this varies depending on the segment and on the maturity of the portfolio, but the trend is downwards.

Another point that impacts our growth in a series of twelve months and a definition of cycle is the increase we gave to the physicians in terms of fees for visits in the 2H and in the 1Q12. We do not have a forecast relative to further increases to medical fees.

So, these are two very good indicators and they are positive towards stabilization and reduction in frequency, and if the average cost does not vary as it did in the last few months, this makes that our projection is more trustworthy.

Additionally, we have other measures to control costs, to control materials, to renegotiate packages, and different other things that we do not see from outside, but we are making, these measures allow us to put pressure downwards on the cost curve.

Henrique Caldeira:

It is clear now. Thank you.

Rafael Frade, Bradesco:

Good morning, everyone. I would like to talk about the competition scenario in health. Apparently, this last period there has been a quite competitive scenario with many other carriers being more aggressive in terms of pricing and also medical inflation, and at least from what we signed the papers, everyone is better behaved in terms of adjustment in competition may be showing that we are going to have a next good cycle.

Do you agree with what I am saying? And what do you see, how do you see, for example, the acquisition of Amil by United, and the fact that other international player could be entering the market? Does that reflect an increase in competition? And how are you preparing yourselves for that?

Just an additional question about dental care, you have been growing considerably in the segment, and then you are practically stable in the quarter with a slight reduction, and you also said that it was a smaller number of members because some members would not pay a higher premium, but in dental care the premium has even decreased if you compare quarter on quarter. So, what happened? What are the factors?

Thomaz Cabral de Menezes:

First, I am going to answer your last two questions and then I will turn it over to Gabriel to talk about health. First, about this thing of the new player in the market, we see that in a positive way, this sort of demonstrates the opportunity in this industry. No one would make such bulky investment unless they saw opportunities to improve and to have a return.

So, this is just a confirmation that our strategy and the speed in our portfolio is very good, because SulAmérica has a good share in this industry for many years. This demonstrates the opportunity we have in the segment, and only motivates us and makes us work even harder and faster to enjoy the good moment in this industry.

As to our dental portfolio, I think we are completing the cycle of integration of our acquisition of dental plan. It was very positive for many different reasons, not just because we went to some regions where we were not so present before, but the whole management and people who joined our team has made us have a much better structure, a better prepared unit for that segment.

The slightly smaller growth in the average ticket, and if you look in operations, even though the average ticket is slightly smaller than we have been having so far, and may be some operations in the mass insurance that we did not really implement them in the time we

were expecting, but we are confident that our growth strategy in terms of organic growth for dental insurance with a good value proposition is fundamental for an optimal balance of our health portfolio as a whole.

Now, I would like Gabriel to talk about health and answer your first question.

Gabriel Portella:

Well, undoubtedly the market is more competitive if we compare to 2009, and the adjustments that are taking place not so often and the market is more disciplined in 2010 and 2011, and 2012 is slightly more competitive. A proof of that is that we had an adjustment and some of these companies went out to the market, even though we still have a level that is superior to last year.

So, competitiveness is not a big deal or something that we could say that may hurt our future growth, and maybe slightly more competitive than SME and where we are very successful. We have been having good growth rates in this area. So, what is also important is our relationship with the network of brokers. The fact that we operate through brokers in many different segments has led us to bring into the health and dental market brokers that were already selling auto and home insurance and life insurance, and now we are bringing them into selling health and dental insurance.

So, we have good product acceptance. Our integration of dental insurance, we launched a new product line with better results and more growth. And if I could complement, if we compare year on year in terms of new sales in number of members, we have grown at double digits in almost all our business lines.

So, definitely I think that SulAmérica is enjoying the good moment in the industry with our physical presence and our proximity with brokers with all our health products.

Rafael Frade:

Just a follow-up about your distribution channel, you said that brokers that did not use to sell health and dental to start selling this type of insurance, I would like to mention this process, the profile of brokers. So, are you training those brokers? And because of that you have some sort of exclusive relationship?

Gabriel Portella:

Well, I am going to ask Matias, our commercial VP, who has been conducting excellent work with our partner brokers, and he will answer your question.

Matias Ávila:

Good morning, everyone. In fact we have been managing through our commercial activities to have a very intense contact with brokers for the distribution of health. This is the advantage of SulAmérica being a multi-liner and having a broad line of contacts and

relationship with brokers. Moreover we also grew regionally, not just in São Paulo and Rio de Janeiro, but in all regions of the Country, especially in the Northeast.

Gabriel Portella:

I think this is work that is being very well conducted by Matias and his team, and in terms of proximity to brokers I think the Company has never before been so present and so close to brokers in many different regions, and this certainly has contributed to our good results.

Small and medium size brokers have contact with small and medium businesses, so this contact and competitiveness and the quality of the portfolio of our business health has led us to advance.

In the beginning of the call, there was a need of small and medium businessmen that do have a good health benefit for the tranquility of their employees.

Marcelo Henriques, BTG Pactual:

Good morning. I have some questions. The first one is a follow-up on the health line, just to understand what has been said so far; and correct me if I am wrong, please.

The price readjustment now was much more of a driver to recover the margins that had been lost in the past than through a price policy that includes medical inflation and an increase in frequency for the next 12 years. Is my understanding correct?

Gabriel Portella:

Good morning, Marcelo. Actually, for each segment we have a different history. For the health segment it reflects past trends and future trends. So, when we establish the level of price for the balance of the contract in the anniversary of the contract, we take into account both things. So, for the future scenario we take into account the indicators that we have in the market.

In the other segment, the rationale is the same, but we also want to reflect the future scenario. When we look at the new level of cost and frequency that we expect for next year, this is also reflected in the adjustment base and also in the establishment of new costs. We review costs every six months to capture the new levels of costs, what we see going forward. So, it is both things: past and future, frequency and average costs. No doubt about that.

Marcelo Henriques:

And just specifically about group insurance, there was a variation in the loss ratio, and the price adjustment is much more to recover margins than anything else. You said also that the frequency is declining. Could you give us some more color about what you see? Was this a recent event? Was this last month, last two months? What are you seeing that makes you think that the frequency is trending downwards?

Gabriel Portella:

So, you understood about the price, so it does not have to do with the recovery of past margins, but we are looking forward in all business lines, in groups, in SME. And the second point has to do with the frequency of utilization, which shows a trend that reflects the health structure in the Country. There are some factors that we have to take into account, which inhibit that.

So, we see that these factors are important to take into account when we design our actions to pressure frequency downwards. The trend is downwards, but this does not mean that the frequency has decreased to the level that we would like to see in all segments. It is trending downwards, but it is still high.

There is a new behavior in terms of utilization, generally speaking. This varies according to the segment, but this is being captured for future adjustments, and this is the normal cycle in the health market, past experience influences the future experience, so all of this plays a role.

If you are unable to interfere strongly, you will see the same trend going forward. We have a very high quality product, our network is open, so we are maintaining quality while controlling utilization.

Marcelo Henriques:

One more question, please. An insurance that belongs to a bank group enforced a readjustment and decreased from 4 to 3.5, which affects life of individuals and health. The impact was R\$2.1 billion and a bit more than half of it was in the health business, specifically, so this is a topic that belongs to a different insurance company.

But I know also that there are other variables that impact the actuarial calculation. Could you tell us how you see this trend of a lower liability, where you can have a better mark-to-market liability? Where you can mark liability better, but mark to market?

SulAmérica:

Thank you for the question. We have no comments about moves of our counterparts, but there are solvency rules that are being discussed in the market, and SUSEP is going to deal with that in the future. This has an impact on any company, of course it depends on the solvency volume, but it is not clear today what will be done, so will have to wait and see what will be the impact on us and what kind of decision we will have to make in the near future.

Could you repeat your question, please?

Marcelo Henriques:

What rate do you use?

SulAmérica:

There are many different approaches, but we do not disclose it in this program.

Mariana Tadeu, UBS:

Good morning. The financial result has had a strong growth because of the portfolio in variable income. How do you see the result of these quarters? It is smaller because Selic is smaller than it was in the past. Do you have the intention of compensating that? Can you change that 39%?

SulAmérica:

Good morning. The sound quality is very poor. I am sorry, I could not understand your question. Maybe you are asking if we are going to change the portfolio or if we are seeing the behavior of the financial result in the quarter. Was that your question?

First of all, our investment decision comes from the ALM policy of the Company. So, any investment strategy is related to a review of our ALM structure. And I say that because we usually look at financial results and we do not take into account all the financial results and all the performance of the Company. ALM looks at the whole balance and we might adjust our policies and our strategies, depending on our ALM analysis.

There is nothing in our operation that would justify a significant change in what we have been doing in our strategy, except for what I said that we have a higher exposure to variable income bonds because of opportunities that we thought were present in the stock exchange market.

For the rest, there is a higher exposure to the Selic rate and IPCA was a result of our predisposition, and we did not renew it. We did not think it was justifiable, and there was a higher rate than what we had before, especially in the first nine months of 2011. From now on, I think that the behavior that we saw in the first nine months of this year will continue on the hope that there has not been any significant change in our allocation strategy. Is that what you meant? I hope I have answered your question. If I did not, please ask again.

Mariana Tadeu:

Well, that was my question. Thank you very much.

Gustavo Schroden, BES Securities:

Good morning, everyone. I would like to go back to the issue of financial result. We have seen an improvement, and because of this stock exchange there is also a positive impact of monetary correction of contingencies. If we look at your statement, last quarter we had a R\$10.8 million, and this quarter we have a positive result of R\$10.6 million, positive in contrast with negative. So, how do you explain that and what should we expect in the future? Because in the financial result in the others line there was an increase of 24% if you

compare quarter on quarter. So, I think this is a relevant impact in the financial result, and what should we expect for the future?

SulAmérica:

Thank you for the question and your comment, which is relevant. If we compare the 3Q to the 2Q, I do not know if you remember, when we mentioned property and casualty in the impact in the higher loss ratio, that resulted from the review in the basis share of that revision. It had an impact because of the monetary result of contingency liabilities, and the same thing did not happen in the 1Q in the same process that was related to administrative processes. It had a more positive impact on the portfolio.

I think that in the future I think this line will go back to normal because the most relevant revisions are being completed, so we should not have an impact neither strongly positive nor strongly negative in terms of that.

Gustavo Schroden:

Thank you very much.

Francisco Kots, Banco Safra:

Just a last question, a very brief one. As regards the administrative expenses, that 8.5% of the combined ratio, my question is: do you think that is the efficiency limit or can you improve that even further? How do you see administrative expenses going forward?

Thomaz Cabral de Menezes:

Thank you for your question. I always say that we can always improve, there is always room for improvement, there is always room to do something different and continue to invest in reviewing processes systems. The Company has reaped the benefits of an excellent execution and strategy relative to this topic. I think we are at a competitive level, and we are also very mindful that we can always improve something here and there.

But I would not say that we see major improvements in this area; 8.5% or something below 9% attest to great operational efficiency at the very best in terms of competitiveness in the industry.

Operator:

We now end the Q&A session, and I would like to turn the floor over to Mr. Thomaz de Menezes for his final remarks. You may proceed, sir.

Thomaz Cabral de Menezes:

First of all I would like to thank all of our associates who were involved and engaged in delivering these results. And SulAmérica continues to be committed to the sustainable growth of all of its business lines, and we trust our growth strategy for the next years.

This year has presented many challenges because of all the factors that we commented on in this call, a drop in the interest rates, changes in the market, but we are sure that the Company has performed very well in the last quarter, focused on improving loss ratio by establishing appropriate prices and also focusing on operational efficiency and efficacy whilst maintaining strong revenue growth through our broker network and our more than 100 distribution units.

Thank you very much for participating, for your questions, for the interest you take in our Company. And we remain available to take any questions or clarify any issues you might have. Thank you very much.

Operator:

The earnings release conference call of SulAmérica is now ended. Thank you very much for participating, and have a nice day. Thank you.

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