

SulAmérica 2Q11 Conference Call Q&A**Q: Carlos Macedo, Goldman Sachs:**

Good afternoon, gentlemen, thank you for taking the questions. I have a couple of questions, actually. The first one is related to the loss ratios in group health, they increased again on a sequential basis this quarter and on an annual basis as well.

I was wondering if you could give us some guidance in respect to that for the remainder of the year, are we likely to see the same kind of improvement in the 2H of this year as we saw in the 2H of last year when the ratio declined significantly. If you could provide us with some guidance for that, it would be great. It would help us understand how that line is going to behave.

The second question is related to something you said, Arthur, which is the services you are rendering, and I think it is Banco do Brasil. If you could give us, and I know there is an impact on cost as well as an impact on revenues, I was wondering if you could basically size up for us the last contract you signed with them, if I am not mistaken runs probably for another three months, what should we expect once that contract is concluded? What impact will it have on your expenses revenues and altogether the bottom line? Thanks.

A: Arthur Farne:

Thank you for your question. On the group health, we may not be able to present the same quarter improvements the way we showed last year, when you compared the 2H to the 1H, especially because we have not had as good a 2Q as we had last year. So, we are coming from a much better position in terms of the loss ratio in that segment.

There is a seasonal impact, as you know, which usually leads to a 2Q being the worst quarter in the year, so we expect an improvement in the 3Q and 4Q this year. We would not like to give forward any figure precisely right now, but we are working, we have been addressing issues here both in pricing and in terms of cost controls that would lead to loss ratio improvements in this year.

So, our major guidance is that we should be posting this year loss ratio in health somewhat like 100 b.p. better than the last year, full year against full year. And I guess this is what we have for our priority.

Q: Carlos Macedo:

So that is going to be based on not only the seasonal improvement on the 2Q, but also it has to do something with frequency or really just the cost?

A: Arthur Farne:

Frequency is another thing among our cost control measures, but also a review on the way we handle contracts with service providers. Of course we have just begun the rate adjustment season, not only it did account for losses, but for the group health segment, and, in that case, it has a more significant impact on loss ratio.

Q: Carlos Macedo:

OK, and the second question about the revenues from rendering the services to a third party, revenues and expenses.

A: Sergio Borriello:

I think you remember that we had communicated to the market that in last April we had renewed our contract with Brasil Veículos up to November 15th. So, up to November 15th, our contract will be 100% covering the services to Brasil Veículos.

And in terms of revenues and expenses, we are disclosing this number in a really, what you would call, an expensive recovery, and there is no reason to say that 2011 we will be posting in the same level as we are posting up to this year.

Next year, probably, due to the way we have signed the contract with them, we are just managing their claims, meaning that, with the fleet decreasing during the year and we are just managing their claims, our revenues will decrease through 2012 up to December 2012, when we really finish the co-services to Brasil Veículos.

Q: Carlos Macedo:

But the expenses will decline as well, right?

A: Sergio Borriello:

Expenses will decline much in line with expenses recovery of what we will have next year. Meaning, eliminating the services we are eliminating the costs we have to provide the services too.

A: Carlos Macedo:

OK, thank you.

Q:Guilherme Assis, Raymond James:

Hi, good afternoon everyone. My question is regarding on the increase in the member base of the health insurance. I would like to understand how the market is looking like, I think it was a good growth, and what were the measures taken by SulAmérica in order to achieve such a good growth in the quarter?

A: Arthur Farme:

Thank you, Guilherme, for your question. Well, leave aside here the migration within the portfolios, we have been able to increase all of the portfolios very successfully. Not only SME which is growing very fast, as you have seen over the last quarters, also, the larger policies we have seen not only a number of new policy holders coming to our portfolio, but also the number of members within those portfolios as a sign of the recovery in employment in Brazil.

So, the affinity group segment, the larger portfolio and the SME segments, we have been achieving a very good growth in terms of membership in those portfolios.

We have been doing that in all Brazil, we are expanding our portfolio, of course we also have the benefit of 141.000 members of dental, coming from Dental PLAN, segments that we have been addressing, trying to explore more synergies and cross-selling opportunities, which will also lead to a larger number of members in our portfolio.

Q: Guilherme Assis:

Thank you for your answer, if I may have just a follow-up. It is regarding to the revenue decline for margin claims in the Banco do Brasil's agreement, how much do you expect revenues to decline next year because of that?

A: Sergio Borriello:

Probably next year we will have like a 50% of the revenues booked this year. So it is a good number in terms of the estimation, 2012 compared to 2011. But again, it is not the net effect, it is just the decrease on the line expense recovery, because we will have some decreases on the personnel and on third parties, etc., expenses. The net of these two lines, in my mind, is not material.

A: Arthur Farne:

Guilherme, maybe you can refer to the explanatory note 22.2, which provides details on those lines, you will see there that we had about R\$60 million on the first six months of expense recovery, for the first six months of 2011.

So you notice that we had a larger amount in the 2Q than in the 1Q, exactly because that is when we recorded the new expanses on the contract, which, as Carlos mentioned, goes up to the end of this year.

Q: Guilherme Assis:

OK, great, thank you.

Operator:

There are no questions at this time, so I would like to turn the conference over to Mr. Arthur Farm for any closing remarks.

Arthur Farne:

Thank you, thank you for those attending; the conference is available through our website and our IR area. All of us will be glad to take your questions.

Operator:

Thank you. The conference is now concluded, thank you all for attending the presentation, you may now disconnect your lines.

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