(Convenience Translation into English from the Original Previously Issued in Portuguese)

To the Shareholders and Management of
Sul América S.A. and subsidiaries
Rio de Janeiro – RJ

1. We have audited the accompanying individual (Parent Company) and consolidated balance sheets of Sul América S.A. and subsidiaries as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity (Parent Company), and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these financial statements. We have not audited the financial statements of the subsidiaries Brasilveículos Companhia de Seguros, Brasilsaúde Companhia de Seguros and Alutrens Participações S.A. for the years ended December 31, 2007 and 2006, whose assets represented 15.05% and 15.23% of total consolidated assets, insurance premiums represented 14.25% and 14.96% of total consolidated insurance premiums, and equity gains for Parent Company totaled R$26,314 thousand and R$21,907 thousand, respectively. These financial statements were audited by other independent auditors and our opinions, insofar as it relates to the amounts of assets, liabilities and results of these subsidiaries, is based on the reports of those auditors.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Parent Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, based on our audits and on the reports of the other auditors, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Sul América S.A. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations, the changes in shareholders' equity (Parent Company), and the changes in their financial positions for the years then ended in conformity with Brazilian accounting practices.
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4. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, February 25, 2008

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

José Barbosa da Silva Junior
Engagement Partner

SUL AMÉRICA S.A. AND SUBSIDIARIES
BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006
(IN THOUSANDS OF BRAZILIAN REAIS - R$)

	Parent Company		Consolidated	
ASSETS	**2007**	**2006**	**2007**	**2006**
CURRENT ASSETS	**434,740**	**24,197**	**5,066,930**	**3,975,335**
CASH AND CASH EQUIVALENTS	**52**	**1,109**	**16,914**	**74,071**
Cash and Banks	52	1,109	16,914	74,071
MARKETABLE SECURITIES (NOTE 4.2.3)	**387,094**	**915**	**3,424,131**	**2,335,409**
Fixed income securities	387,094	915	3,178,745	2,188,732
Equity securities	-	-	66,554	77,885
Equity funds quotas	-	-	177,452	66,078
Other	-	-	2,276	3,273
(-) Provision for losses	-	-	(896)	(559)
RECEIVABLES FROM INSURANCE AND REINSURANCE OPERATIONS	**-**	**-**	**960,209**	**936,014**
Premiums receivable (Note 5)	-	-	944,955	901,161
Insurance companies	-	-	40,635	46,804
Reinsurance companies	-	-	37,671	40,950
Other	-	-	32,026	21,571
(-) Allowance for doubtful accounts (Note 5.1)	-	-	(95,078)	(74,472)
RECEIVABLES FROM PRIVATE PENSION OPERATIONS	**-**	**-**	**130**	**-**
Receivables	-	-	110	-
Reinsurance credits	-	-	20	-
ACCOUNTS RECEIVABLE	**44,904**	**22,173**	**364,691**	**314,624**
Accounts receivable	36,302	20,314	66,493	66,580
Recoverable taxes and contributions (Note 6)	10,136	3,393	207,091	196,467
Other	-	-	103,488	63,470
(-) Allowance for doubtful accounts	(1,534)	(1,534)	(12,381)	(11,893)
OTHER ASSETS	**-**	**-**	**58,810**	**73,566**
PREPAID EXPENSES	**2,690**	**-**	**5,267**	**2,795**
DEFERRED ACQUISITION COSTS	**-**	**-**	**236,778**	**238,856**
Insurance and reinsurance (Note 10)	-	-	233,977	237,102
Private Pension (Note 10.2)	-	-	2,801	1,754
NON-CURRENT ASSETS	**1,870,370**	**934,182**	**4,030,935**	**4,149,667**
LONG-TERM ASSETS	**8,218**	**24,338**	**3,702,494**	**3,812,833**
MARKETABLE SECURITIES	**9**	**10**	**1,624,357**	**1,597,650**
Fixed income securities (Note 4.2.3)	-	-	1,610,230	1,582,156
Equity securities (Note 4.2.3)	-	-	120	120
Equity funds quotas (Note 4.2.3)	-	-	9,077	10,766
Other	95	95	23,506	24,267
(-) Provision for losses	(86)	(85)	(18,576)	(19,659)
RECEIVABLES FROM INSURANCE AND REINSURANCE OPERATIONS	**-**	**-**	**9,809**	**12**
Premiums receivable (Note 5)	-	-	16,348	12
(-) Allowance for doubtful accounts (Note 5.1)	-	-	(6,539)	-
ACCOUNTS RECEIVABLE	**941**	**24,328**	**1,904,993**	**2,072,030**
Recoverable taxes and contributions (Note 6)	24,896	5,119	736,189	656,122
Judicial deposits (Note 15)	440	316	1,423,895	1,538,987
Other	-	23,511	33,321	58,449
(-) Allowance for doubtful accounts (Note 6)	(24,395)	(4,618)	(288,412)	(181,528)
PREPAID EXPENSES	**7,268**	**-**	**7,416**	-
DEFERRED ACQUISITION COSTS	**-**	**-**	**155,919**	**143,141**
Insurance and reinsurance (Note 10)	-	-	154,549	141,463
Private Pension (Note 10.2)	-	-	1,370	1,678
PERMANENT ASSETS	**1,862,152**	**909,844**	**328,441**	**336,834**
INVESTMENTS	**1,862,117**	**909,811**	**136,467**	**134,894**
Equity in associated companies (Note 7.1)	1,859,633	906,815	127,512	119,193
Goodwill (Note 7.2)	2,484	2,996	2,484	7,924
Property for rent	-	-	12,256	13,484
Other investments	-	-	16,164	17,884
(-) Provision for losses	-	-	(14,736)	(16,211)
(-) Depreciation	-	-	(7,213)	(7,380)
PROPERTY AND EQUIPMENT (Note 7.3)	**-**	**-**	**153,195**	**158,555**
Land and building	-	-	138,123	141,137
Furniture, fixtures and equipament	-	-	131,164	121,728
Other	-	-	45,722	39,578
(-) Provision for losses	-	-	(804)	(909)
(-) Depreciation	-	-	(161,010)	(142,979)
INTANGIBLE ASSETS	**35**	**33**	**323**	**275**
Trademarks and patents	35	33	323	275
DEFERRED CHARGES (NOTE 7.4)	**-**	**-**	**38,456**	**43,110**
Organization, implementation and installation costs	-	-	68,397	63,681
Goodwill from merger	-	-	28,939	28,939
(-) Amortization	-	-	(58,880)	(49,510)
TOTAL ASSETS	**2,305,110**	**958,379**	**9,097,865**	**8,125,002**

The accompanying notes are an integral part of these financial statements.

SUL AMÉRICA S.A. AND SUBSIDIARIES
BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006
(IN THOUSANDS OF BRAZILIAN REAIS - R$)

	Parent Company		Consolidated	
LIABILITIES AND SHAREHOLDERS'S EQUITY	**2007**	**2006**	**2007**	**2006**
CURRENT LIABILITIES	**76,419**	**22,596**	**3,620,667**	**3,827,938**
ACCOUNTS PAYABLE	**76,419**	**22,596**	**462,925**	**758,645**
Accounts payable	63,920	21,273	191,448	98,875
Taxes and other social charges payable	1,850	195	71,945	69,953
Labor liabilities	-	-	27,702	26,438
Loans and financing (Note 13)	7,502	-	7,502	406,951
Taxes and contributions payable	3,147	1,128	99,408	97,777
Other	-	-	64,920	58,651
INSURANCE AND REINSURANCE	**-**	**-**	**278,559**	**254,352**
Refundable premiums	-	-	8,561	6,578
Insurance companies	-	-	17,665	23,698
Reinsurance companies	-	-	66,823	50,083
Commissions on insurance premiums	-	-	17,690	4,737
Other (Note 9)	-	-	167,820	169,256
PRIVATE PENSION	**-**	**-**	**2,802**	**2,806**
Reinsurance payable	-	-	39	233
Other operating payable	-	-	2,763	2,573
THIRD-PARTY DEPOSITS (NOTE 8)	**-**	**-**	**28,162**	**73,345**
ACCRUED LIABILITIES FOR CONTINGENCIES (NOTE 15)	**-**	**-**	**69,702**	**53,342**
Labor contingencies	-	-	3,201	1,777
Civil contingencies	-	-	66,501	51,565
TECHNICAL RESERVES - INSURANCE AND REINSURANCE (NOTE 10)	**-**	**-**	**2,453,479**	**2,396,848**
PROPERTY AND CASUALTY AND GROUP LIFE	**-**	**-**	**1,753,716**	**1,773,324**
Unearned premium reserve	-	-	1,109,131	1,137,835
Premium deficiency reserve	-	-	1,511	1,237
Reserve for claims and claims adjustment expenses	-	-	471,556	421,104
IBNR reserve	-	-	146,803	200,826
Other	-	-	24,715	12,322
TECHNICAL RESERVES - HEALTH INSURANCE	**-**	**-**	**642,564**	**575,087**
Unearned premium reserve	-	-	75,918	67,211
Reserve for benefits granted	-	-	4,754	4,445
Reserve for claims and claims adjustment expenses	-	-	183,221	113,295
IBNR reserve	-	-	378,671	390,136
TECHNICAL RESERVES - LIFE INSURANCE WITH SURVIVORSHIP COVERAGE	**-**	**-**	**57,199**	**48,437**
Reserve for benefits to be granted	-	-	41,579	28,290
Reserve for benefit granted	-	-	159	53
Unexpired risk reserve	-	-	149	94
Financial surplus reserve	-	-	16	11
IBNR reserve	-	-	4,579	1,764
Premium deficiency reserve	-	-	1,583	1,449
Reserve for future policy benefits	-	-	8,178	6,725
Other	-	-	956	10,051
TECHNICAL RESERVES - PRIVATE PENSION	**-**	**-**	**325,038**	**288,600**
UNRESTRICTED PLANS (NOTE 10.2)			**325,038**	**288,600**
Reserve for benefits to be granted	-	-	259,425	227,511
Unexpired risk reserve	-	-	352	329
Risk fluctuation reserve	-	-	1	1
Reserve for benefit granted	-	-	49,022	47,851
Reserve for future policy benefits	-	-	1,165	818
Financial surplus reserve	-	-	12,923	10,347
IBNR reserve	-	-	868	760
Other	-	-	1,282	983
NON-CURRENT LIABILITIES	**268,315**	**6,239**	**3,240,438**	**3,149,716**
LONG-TERM LIABILITIES	**268,315**	**6,239**	**3,240,438**	**3,149,716**
ACCOUNTS PAYABLE	**268,315**	**6,239**	**1,284,047**	**1,444,425**
Taxes and contributions payable (NOTE 16)	6,246	6,238	877,581	1,110,656
Deferred taxes	-	-	53,278	48,719
Loans and financing (Note 13)	262,068	-	262,068	160,000
Other	1	1	91,120	125,050
INSURANCE AND REINSURANCE	**-**	**-**	**2,579**	**8,322**
Other	-	-	2,579	8,322
Taxes and contributions payable (NOTE 16)	**-**	**-**	**492,122**	**433,406**
PROPERTY AND CASUALTY AND GROUP LIFE	**-**	**-**	**348,557**	**341,798**
Unearned premium reserve	-	-	5,450	2,801
Premium deficiency reserve	-	-	21,448	20,207
Reserve for claims and claims adjustment expenses	-	-	321,659	318,790
TECHNICAL RESERVES - HEALTH INSURANCE	**-**	**-**	**25,971**	**19,010**
Reserve for benefits granted	-	-	6,861	7,352
Reserve for claims and claims adjustment expenses	-	-	19,110	11,658
TECHNICAL RESERVES - LIFE INSURANCE WITH SURVIVORSHIP COVERAGE	**-**	**-**	**117,594**	**72,598**
Reserve for benefits to be granted	-	-	105,019	59,708
Premium deficiency reserve	-	-	12,068	12,459
Other	-	-	507	431
TECHNICAL RESERVES - PRIVATE PENSION	**-**	**-**	**1,044,723**	**897,442**
UNRESTRICTED PLANS (NOTE 10.2)			**1,044,723**	**897,442**
Reserve for benefits to be granted	-	-	751,328	618,697
Risk fluctuation reserve	-	-	226	301
Reserve for benefits granted	-	-	230,350	218,633
Contribution deficiency reserve	-	-	47,077	44,877
Other	-	-	15,742	14,934
ACCRUED LIABILITIES FOR CONTINGENCIES (NOTE 15)	**-**	**-**	**416,967**	**366,121**
Tax Contingencies	-	-	98,490	77,999
Labor contingencies	-	-	33,543	41,202
Civil contingencies	-	-	284,934	246,920
MINORITY INTEREST	**-**	**-**	**276,384**	**229,614**
SHAREHOLDERS' EQUITY (NOTE 17)	**1,960,376**	**929,544**	**1,960,376**	**917,734**
Domestic capital	1,185,831	295,098	1,185,831	295,098
Capital reserves	381,187	488,611	381,187	499,011
Revaluation reserves	165	143	165	143
Earnings reserves	384,782	143,732	384,782	144,127
Adjustment of marketable securities	8,411	1,960	8,411	1,960
Retained earnings (accumulated deficit)	-	-	-	(22,605)
TOTAL LIABILITES AND SHAREHOLDERS' EQUITY	**2,305,110**	**958,379**	**9,097,865**	**8,125,002**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF INCOME
BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006
(IN THOUSAND OF BRAZILIANS REAIS - R$)

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
INSURANCE OPERATIONS				
RETAINED PREMIUMS	**-**	**-**	**6,600,507**	**6,293,719**
Insurance Premiums	-	-	6,801,630	6,455,137
DPVAT (mandatory third-party liability for vehicles owners)	-	-	241,324	188,974
Coinsurance Premiums ceded	-	-	(37,584)	(30,158)
Reinsurance Premiums Ceded	-	-	(269,478)	(217,237)
Retrocessions Premiums	-	-	1,339	1,783
Premiums Ceded to Consortiums and Funds	-	-	(126,057)	(98,683)
Life Insurance Redemption / VGBL	-	-	(10,667)	(6,097)
CHANGES IN TECHNICAL RESERVES	-	**-**	**(28,828)**	**(142,310)**
EARNED PREMIUMS	**-**	**-**	**6,571,679**	**6,151,409**
ASSET MANAGEMENT FEE	**-**	**-**	**1,579**	**-**
RETAINED CLAIMS	**-**	**-**	**(4,475,544)**	**(4,392,742)**
Direct claims	-	-	(4,689,428)	(4,841,245)
Claims - consortiums and funds	-	-	(92,274)	(73,607)
Assistance service	-	-	(39,989)	(61,818)
Recovery for claims	-	-	158,289	454,865
Salvage and recoveries	-	-	173,105	182,884
Reinsurance credits	-	-	14,753	(53,821)
BENEFITS EXPENSES	**-**	**-**	**(18,099)**	**(2,771)**
Benefits expenses	-	-	(15,284)	(1,093)
Change in IBNR reserves	-	-	(2,815)	(1,678)
ACQUISITION COSTS (NOTE 18.2)	**-**	**-**	**(687,845)**	**(673,246)**
Commissions	-	-	(705,207)	(692,709)
Recovery of commissions	-	-	13,696	10,001
Other acquisition costs	-	-	(3,153)	(2,725)
Change in deferred acquisition costs	-	-	6,819	12,187
OTHER INSURANCE OPERATING INCOME/ EXPENSES		-	**(146,162)**	**(84,377)**
OTHER INSURANCE OPERATING INCOME (NOTE 18.5)	-	**-**	**128,701**	**141,137**
OTHER INSURANCE OPERATING EXPENSES (NOTE 18.6)	-	**-**	**(274,863)**	**(225,514)**
PRIVATE PENSION OPERATIONS				
INCOME FROM RETAINED CONTRIBUTIONS	**-**	**-**	**133,472**	**129,439**
Income from retained contributions	-	-	133,472	129,439
CHANGES IN TECHNICAL RESERVES	-	**-**	**(15,812)**	**(25,591)**
ASSET MANAGEMENT FEE	**-**	**-**	**8,470**	**-**
BENEFIT AND REDEMPTION EXPENSES	**-**	**-**	**(91,103)**	**(83,854)**
Benefits expenses	-	-	(37,844)	(33,255)
Redemption expenses	-	-	(53,151)	(50,576)
Changes in IBNR reserve	-	-	(108)	(23)
ACQUISITION COSTS (NOTE 18.3)	-	**-**	**(3,279)**	**(3,427)**
		-	**396**	**479**
OTHER PRIVATE PENSION OPERATING INCOME	-	**-**	**396**	**479**
OTHER PRIVATE PENSION OPERATING EXPENSES	-	**-**	**-**	**-**
NET OPERATING INCOME FROM ASO BUSINESS	-	**-**	**27,491**	**14,303**
NET OPERATING INCOME FROM ASSET MANAGEMENT BUSINESS	-	**-**	**21,625**	**24,916**
ADMINISTRATIVE EXPENSES (NOTE 18.4)	**(45,291)**	**1,439**	**(858,639)**	**(763,892)**
TAX EXPENSES	**(5,140)**	**(1,073)**	**(195,813)**	**(158,291)**
NET FINANCIAL INCOME	**(7,166)**	**10,697**	**400,504**	**315,532**
Financial income (Note 18.7)	186,766	10,888	1,013,971	1,021,780
Financial expenses (Note 18.8)	(193,932)	(191)	(613,467)	(706,248)
EQUITY INCOME	**421,069**	**158,934**	**(431)**	**(5,614)**
Income from property for rent	-	-	1,310	1,025
Adjustments to investments in subsidiaries	421,584	159,361	223	(12,950)
Other equity income/ expenses	(515)	(427)	(1,964)	6,311
NON-OPERATING INCOME (EXPENSES) (Note 18.9)	**(618)**	**(30)**	**1,296**	**(61,560)**
INCOME BEFORE INCOME TAX, SOCIAL CONTRIBUTION AND PROFIT SHARING	**362,854**	**169,967**	**673,785**	**380,713**
Income tax (Note 19)	34	(3,244)	(186,199)	(100,036)
Social contribution (Note 19)	(2)	(1,207)	(67,173)	(67,117)
Profit sharing	-	-	(32,531)	(22,928)
INCOME AFTER INCOME TAX, SOCIAL CONTRIBUTION AND PROFIT SHARING	**362,886**	**165,516**	**387,882**	**190,632**
Minority interest	-	-	(66,869)	(46,285)
NET INCOME BEFORE INTEREST ON SHAREHOLDERS'S EQUITY	**362,886**	**165,516**	**321,013**	**144,347**
Income tax (Note 19)	(50,863)	(10,285)	-	9,615
NET INCOME	**312,023**	**155,231**	**321,013**	**153,962**
NUMBER OF SHARES OUTSTANDING	**281,295,931**	**12,385,666,207**	**-**	**-**
	1,109.23	**12.53**	**-**	**-**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION
BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006
(IN THOUSAND OF BRAZILIAN REAIS - R$)

	Parent Company		Consolidated	
	2007	**2006**	**2007**	**2006**
NET INCOME	**312,023**	**155,231**	**321,013**	**153,962**
ADDITIONS				
Increase in minority interest	-	-	45,731	33,324
Depreciation and amortization	-	-	31,258	28,358
Interest and monetary variation on loans	27,790	-	53,777	66,803
Goodwill amortization	514	514	5,441	5,441
Loss on sale of investments or property and equipment	-	-	-	2,936
Interest and monetary variation on judicial deposits and accrued liabilities for contingencies	37	55	69,064	240,695
Interest and monetary variation Special Plan for Tax Payment in Installments	43	58	9,993	14,331
Capital loss	618	11	-	-
Other	-	-	160	23
DEDUCTIONS				
Equity gains in associated companies	(421,584)	(159,361)	(12,696)	(1,082)
Gain on sale of investments or property and equipment	-	-	(393)	-
Interest and monetary variation on judicial deposits and accrued liabilities for contingencies	(37)	(55)	(110,520)	(272,575)
Exchange variation	-	-	-	
Reversal for provision on investment losses	-	-	(264)	(7,464)
OPERATING ACTIVITIES				
Change in marketable securities	**(386,178)**	**(907)**	**(1,108,978)**	**(133,328)**
Change in receivables from insurance, reinsurance and private pension operations	-	-	(34,122)	(97,529)
Change in accounts receivable	1,100	(31,416)	186,342	(145,682)
Change in other assets	-	-	14,756	(17,274)
Change in prepaid expenses	(9,958)	-	(9,888)	805
Change in deferred acquisition costs	-	-	(10,700)	(15,520)
Profit sharing and minority interest received	17,734	68,650	4,376	290
Change in accounts payable	4,094	17,771	(207,411)	355,469
Change in loans and financing (Note 13)	(34,266)	-	(60,985)	(42,168)
Change in payables for insurance and reinsurance operations	-	-	18,464	15,490
Change in private pension	-	-	(4)	955
Change in third-party deposits	-	-	(45,183)	(6,228)
Change in technical reserves - insurance and reinsurance	-	-	135,973	222,334
Change in technical reserves - private pension	-	-	183,719	150,511
Change in accrued liabilities for contingencies	-	-	54,490	(149,077)
Change in adjustments of marketable securities (Shareholders' equity)	-	-	-	-
NET CASH (USED IN) OPERATING ACTIVITIES	**(488,070)**	**50,551**	**(466,587)**	**403,800**
INVESTING ACTIVITIES				
Receivables from sale of permanent assets	23,000	22,553	3,776	16,773
Payment for purchase of permanent assets	(566,517)	(52,161)	(33,344)	(161,242)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(543,517)	(29,608)	(29,568)	(144,469)
FINANCING ACTIVITIES				
Capital increase	**775,000**	**-**	**775,000**	**-**
Minority interest paid	(306)	-	(1,270)	-
Profit sharing	(19,492)	(19,890)	(24,891)	(19,890)
Acquisition / Payment of loans (Note 13)	276,046	-	(284,820)	(206,065)
Special Plan for Tax Payment in Installments amortization	(60)	(60)	(24,363)	(24,389)
Recognition of reserves	-	-	-	1,773
Treasury stock capital	**(658)**	**-**	**(658)**	**-**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**1,030,530**	**(19,950)**	**438,998**	**(248,571)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,057)**	**993**	**(57,157)**	**10,760**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,109**	**116**	**74,071**	**63,311**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**52**	**1,109**	**16,914**	**74,071**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-1057	993	(57,157)	10,760

The accompanying notes are an integral part of these financial statements.

SULAMÉRICA S.A. AND SUSIDIARIES
BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006
(IN THOUSANDS OF BRAZILIAN REAIS - R$)

Parent Company

Description	Capital	Treasure Stock Capital	Goodwill for merger reserves	Goodwill on subscription for merger reserves	Sale of treasury stock reserves	Fiscal incentive reserves	Total Capital reserves	Revaluation reserves	Legal reserves	mmentary reserves	Reserve for business espansion	Unrealized profit reserves	Total	Adjustments of marketable securities	Retained earnings	Total
BALANCES AS OF DECEMBER 31, 2005	**295,098**	**-**	**25,995**	**-**	**462,424**	**192**	**977,030**	**8,452**	**82**	**-**	**-**	**-**	**-**	**(7,523)**	**-**	**784,638**
Adjustments of marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	9,483	-	**9,483**
Capitalization of reserve	-	-	-	-	-	-	-	(8,309)	-	-	-	-	-		8,309	**-**
NET INCOME	-	-	-	-	-	-	-	-	-	-	-	-	-	-	155,231	**155,231**
ALLOCATION OF INCOME:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	7,761	-	-	-	-	-	(7,761)	**(7,761)**
Statutory reserve	-	-	-	-	-	-	-	-	-	-	108,145	-	-	-	(108,145)	**(108,145)**
Unrealized profit reserve	-	-	-	-	-	-	-	-	-	-	-	19,435	19,435	-	(39,325)	**(19,890)**
Supplementary reserve	-	-	-	-	-	-	-	-	-	8,309	-	-	-	-	(8,309)	**(8,309)**
Proposed dividends – R$1.5055 per thousand common shares and R$ 1.6561 per thousand preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
BALANCES AS OF DECEMBER 31, 2006	**295,098**	**-**	**25,995**	**-**	**462,424**	**192**	**977,030**	**143**	**7,843**	**8,309**	**108,145**	**19,435**	**19,435**	**1,960**	**-**	**805,247**
Adjustments of marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	6,451	-	**6,451**
Reinsurance credits	-	(658)	-	-	-	-	-	-	-			-	-	-	-	**(658)**
Cancelled of treasury stock	-	658	-	-	-	-	-	-	-		(658)	-	-	-	-	**658**
Reversal of suplementary reserves	-	-	-	-	-	-	-	-	-	(8,309)	-	-	-	-	8,309	**8,309**
Capital increase:																
Capital increase as Extraordinary Shareholders' Meeting on September 24, 2007	470,733	-	-	-	(462,424)	-	(924,848)	-	-	-	-	-	-	-	(8,309)	**-**
Capital increase as Management Council Meeting on October 9, 2007	365,217	-	-	308,696	-	-	617,392	-	-	-	-	-	-	-	-	**673,913**
Capital increase as Management Council Meeting on November 6, 2007	54,783	-	-	46,304	-	-	92,608	-	-	-	-	-	-	-	-	**101,087**
Realized on revaluation reserves and unrealized profit reserves	-	-	-	-	-	-	-	(7)	-	-	-	(19,435)	(19,435)	-	19,442	**-**
Revaluation reserves constitution	-	-	-	-	-	-	-	29	-	-	-	-	-	-	-	**29**
NET INCOME	-	-	-	-	-	-	-	-	-	-	-	-	-	-	312,023	**312,023**
ALLOCATION OF INCOME:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	15,602	-	-	-	-	-	(15,602)	**(15,602)**
Unrealized profit reserve	-	-	-	-	-	-	-	-	-	-	-	31,529	-	-	(31,529)	**-**
Supplementary reserve	-	-	-	-	-	-	-	-	-	-	222,321	-	-	-	(222,321)	**(222,321)**
Proposed dividends – R$1.5055 per thousand common shares and R$ 1.6561 per thousand preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(62,013)	**(62,013)**
BALANCES AS OF DECEMBER 31, 2007	**1,185,831**	**-**	**25,995**	**355,000**	**-**	**192**	**762,182**	**165**	**23,445**	**-**	**329,808**	**31,529**	**-**	**8,411**	**-**	**1,960,376**

SUL AMÉRICA S.A. AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007 AND 2006

(In thousands of Brazilian Reais – R$, except as otherwise stated)

(1) OPERATIONS

SUL AMÉRICA S.A. is a corporation, incorporated on March 13, 1978, but listed corporation since October 31, 2007 and headquartered in Rio de Janeiro. Sul América S.A., through its direct and indirect subsidiaries, is engaged in the business of health, automobile, other property and casualty and life insurance, private pension, management of health care services and asset management.

The Company obtained from the Brazilian Securities Commission (CVM) its registration as public company on October 3, 2007, and the registration of the public offering of 21,739,132 units (certificates of stock, each representing one common share and two preferred shares) on October 4, 2007. These units started to be traded at the São Paulo Stock Exchange (BOVESPA) on October 5, 2007 under the trading symbol "SULA11" and were listed in the Level 2 of Differentiated Corporate Governance Practices. The proceeds from this public offering totaled R$775,000, as mentioned in Note (17.1.1).

(2) PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared and are presented in accordance with the provisions of the accounting practices adopted in Brazil.

These financial statements include the changes introduced by the following main accounting standards:

- Circular No. 334, of January 2, 2007, issued by the Superintendency of Private Insurances (SUSEP), which introduced the new chart of accounts and model of publication of financial statements for insurance, reinsurance, capitalization and private pension companies effective as from January 1, 2007;

- Normative Instruction No. 9, of February 14, 2007, issued by the National Supplementary Health Plan Agency (ANS), which introduced the new chart of accounts and model of publication of financial statements for health companies that operate health care plans effective as from January 1, 2007.

The financial statements for the year ended December 31, 2006, presented for comparative purposes, were reclassified, when applicable, for comparability with the current period.

The aforementioned financial statements include the balance sheets and statements of changes in the shareholders' equity and the statements of income and changes in financial position of Sul América S.A. and its direct and indirect subsidiaries, except for its subsidiary Corcovado S.A., whose balance sheets are as of November 30, 2006 for the year ended at December 31, 2006.

Listed below are the consolidated companies:

	Ownership interest (%) on total capital	Ownership interest (%) on total capital

Companies	2007 Direct	2007 Indirect	2006 Direct	2006 Indirect
Sul América Companhia Nacional de Seguros (VI)	23.76	73.19	23.98	72.89
Saepar Serviços e Participações S.A.	99.95	-	99.86	-
Brasilsaúde Companhia de Seguros (III), (V)	-	49.11	-	49.17
Sul América Seguros de Vida e Previdência S.A.	-	98.13	-	98.26
Sul América Companhia de Seguro Saúde	33.65	64.48	33.33	64.93
Sul América Companhia de Seguros Gerais (II)	-	98.37	-	48.43
Brasilveículos Companhia de Seguros (I), (V)	-	29.09	-	29.06
Sul América Investimentos e Participações S.A.	-	98.13	-	98.26
Sul América Serviços Médicos S.A.	-	98.13	-	98.26
Sul América Seguro Saúde S.A.	-	98.13	-	98.26
Sul América Investimentos Distribuidora de Títulos e Valores Mobiliários S.A.	-	98.13	-	98.26
Cival Reinsurance Company Ltd.		97.73	-	97.68
Sul América Santa Cruz Participações S.A.	-	97.73	-	97.68
Sul América Serviços de Saúde S.A. (IV)		98.13	-	98.26
Executivos S.A. Administração e Promoção de Seguros	-	98.13	-	98.25
Sul América International Limited	-	98.13	-	98.26
Corcovado S.A.	-	95.78	-	95.70
Alutrens Participações S.A. (V)	-	14.35	-	14.34

(I) On December 31, 2007, Sul América S.A. has a total of 96.95% direct and indirect interest in Sul América Companhia Nacional de Seguros (96.87% in 2006), which in turn has a 60.00% interest in the voting capital of Brasilveículos Companhia de Seguros (same as in 2006);

(II) On July 31, 2007, the subsidiary Sul América Companhia Nacional de Seguros acquired the shares owned by Gerling-Kozern Welt Service Aktiengesellschaft, corresponding to its interest in Gerling Sul América S.A. – Seguros Industriais. At the Extraordinary Shareholders' Meeting held on August 8, 2007, shareholders approved the change in the corporate name of its indirect subsidiary Gerling Sul América S.A. - Seguros Industriais to Sul América Companhia de Seguros Gerais. On November 23, 2007, the subsidiary Sul América Companhia Nacional de Seguros asked for SUSEP's prior authorization to transfer the insurance business from its indirect subsidiary into its operations; SUSEP's opinion is pending;

(III) On December 31, 2007, Sul América S.A. has a total of 98.13% indirect interest in Sul América Serviços Médicos S.A. (98.26% in 2006), which in turn has a 50.05% interest in the voting capital of Brasilsaúde Companhia de Seguros (same as in 2006);

(IV) At the Extraordinary Shareholders' Meeting held on May 22, 2007, shareholders approved (i) the change in the corporate name of its indirect subsidiary Sul América Participações S.A. to Sul América Serviços de Saúde S.A.; (ii) the change in the corporate purpose to management of medical services, planning, assistance and coordination of health care plans and other benefits, assistance in and resolution of settlement of claims of medical and/or hospital care and health care insurance; and (iii) transfer of the subsidiary's headquarters to the State of São Paulo. On November 9, 2007, the subsidiary obtained from ANS its registry as health insurance company.

However, ANS is still analyzing the products that the subsidiary will sell; accordingly, it has not started its operations as health insurance company;

(V) These financial statements of these companies for the year ended December 31, 2007 and 2006 were reviewed and audited by BDO Trevisan Auditores Independentes, which issued unqualified opinions on such financial statements. The independent accountant responsible for the audit of the financial statements for the year ended December 31, 2007 was Mr. Mateus de Lima Soares, CRC RJ 1 RJ079681/O-0, and for the audit of the financial statements for the year ended December 31, 2006 was Mr. José Luiz de Souza Gurgel, CRC RJ 087339/O-4;

(VI) The financial statements of this Company for the year ended December 31, 2007 were audited by BDO Trevisan Auditores Independentes, which issued unqualified opinions on such financial statements. The independent accountant responsible for the audit was Mr. Mateus de Lima Soares, CRC RJ 1 RJ079681/O-0

(2.1) SIGNIFICANT PRACTICES ADOPTED IN CONSOLIDATION

a) Elimination of intercompany balances and transactions between the parent company and its subsidiaries included in consolidation and among its subsidiaries;

b) Elimination of the parent company's investments in the subsidiaries included in consolidation, as well as intercompany investments;

c) Disclosure of minority interest in the consolidated balance sheets and statements of income;

d) Consolidation of exclusive investment funds;

e) The indirect subsidiary Alutrens Participações S.A. is consolidated under the proportionate consolidation method, using the total interest percentage in capital. Alutrens Participações holds 10% of the capital of Telemar Participações S.A. The Company's balance sheets as of December 31, 2007 and 2006 are summarized as follows:

ASSETS			LIABILITIES AND SHAREHOLDERS'S EQUITY		
	2007	**2006**		**2007**	**2006**
Current	195	185	Current	11	18
Non-current	250,475	234,231	Shareholders' Equity	250,659	234,398
Permanent Assets	250,475	234,231			
Total Assets	**250,670**	**234,416**	**Total Liabilities and Shareholders' Equity**	**250,670**	**234,416**

(2.2) CONCILIATION OF RESULTS

The conciliation of the parent company's and the consolidated net income are as follows:

	2007	2006
Parent Company's net income	**312,023**	**155,231**
Recognition of tax incentive reserve	(3,185)	(1,773)
Unclaimed dividends	-	(395)
Loss/ (Gain) on credit assignment	(764)	764
Prior year's adjustments in controlling companies - Recognition of supplementary premium reserve	12,939	-
Consolidated net income originally presented	**-**	**153,827**
Prior year's adjustments in controlling companies **(a)**	-	135
Consolidated net income	**321,013**	**153,962**

(2.3) CONCILIATION OF SHAREHOLDERS' EQUITY

The conciliation of the parent company's and the consolidated shareholders' equity are as follows:

	2007	2006
Shareholders' equity of the Parent Company	**1,960,376**	**929,544**
Loss on credit assignment	-	764
Consolidated shareholders' equity originally presented	**-**	**930,308**
Prior year's adjustments in controlling companies in the balance opened (R$13,117 less minority interest) **(a)**	-	(12,709)
Net income adjustments in controlling companies **(a)**	-	(135)
Shareholders' equity of Consolidated	**1,960,376**	**917,734**

(a) Effect produced by the prior year's adjustments because of the change in accounting practice, recorded the supplementary premium reserve was recorded on subsidiaries Sul América Companhia Nacional de Seguros, Sul América Seguros de Vida e Previdência S.A., Sul América Companhia de Seguros Gerais (new name of Gerling Sul América S.A. - Seguros Industriais, pending approval from SUSEP) and Brasilveículos Companhia de Seguros as mentionated in Note 10. As set forth by the CVM Resolution No. 506/06, the change in accounting practice was applied retroactively in the consolidated financial statement of the Company as of December 31, 2005, once this is the oldest period presented for comparison.

(3) SIGNIFICANT ACCOUNTING PRACTICES

The significant accounting practices adopted by the parent company and its direct and indirect subsidiaries are summarized below:

(a) RESULTS OF OPERATIONS

Determined on the accrual basis of accounting, except for private pension contributions, and considers:

- Insurance premiums are recorded in income upon issuance of the related policies/invoices as Direct Premiums. Premiums issued prior to the risk coverage period are recognized in income upon the beginning of the risk coverage period. Premiums related to risks in force, associated with policies/invoices not yet issued are actuarially calculated;

- Amounts received for private pension contributions are recognized as Income from Retained Contributions on a cash basis. The contributors' rights are reflected in technical reserves through charges to income;

- Commissions from insurance are deferred and amortized, except for the expired risks lines, over the insurance contract period, and are recorded under the heading Deferred Acquisition Costs - Insurance and Reinsurance. Commissions related to expired risks lines are not deferred. Commissions related to risks in force associated with policies/invoices not yet issued are actuarially calculated. Commissions which will be amortized after 12 months, are recorded under Deferred Acquisition Costs – Insurance and Reinsurance, in non-current assets;

- Commissions from private pension plans are deferred and amortized over the average period participants remain in the portfolio. These are recorded under Deferred Acquisition Costs – Private Pension;

- Acquisition costs related to insurance products are deferred and amortized over the average period the insured remain in the portfolio, taking into consideration the term of the policy, the coverage period to which the acquisition cost refers, and the expectation of cancellation or non-renewal of the policy. Acquisition costs, which will be amortized after 12 months, are recorded under Deferred Acquisition Costs – Insurance and Reinsurance, in non-current assets;

- The calculation of interest on shareholders' equity is based on the variation of the Long-Term Interest Rate (TJLP) on shareholders' equity, limited to 50.00% of the net income for the year before income tax or 50.00% of retained earnings and earnings reserves, according to the prevailing legislation. The interest on shareholders' equity is recorded under financial expenses and interest earned is recorded under financial income; for purposes of disclosure of financial statements, they are presented as deduction from retained earnings and addition to investments, respectively, with a contra entry in the last line of the statement of income before net income for the year.

(b) BALANCE SHEET

- Receivables and payables after next 12 months are recorded in non-current assets and liabilities, respectively;

- Foreign currency transactions are recorded at the exchange rate prevailing on the day of the transaction. Assets or liabilities denominated in foreign currency are translated according to the exchange rate prevailing on December 31, 2007 and 2006. Exchange variations are recorded in the statements of income;

- Assets and liabilities subject to monetary variation are adjusted based on indexes defined by law or agreement.

(3.1) CURRENT AND NON-CURRENT ASSETS

Stated at cost or realizable value, including, when applicable, the respective income and monetary or exchange variations earned through December 31, 2007 and 2006:

- Marketable securities are recorded and classified according to the trading intent into one of the following three categories:

  – **Trading securities** - Securities acquired for the purpose of being actively and frequently traded are stated at cost, plus income earned in the period, adjusted to market value and classified in current assets. Earnings, gains and losses on these securities are included in income for the year.

  – **Available-for-sale securities** - Securities that cannot be classified as trading securities or held-to-maturity securities are stated at cost, plus income earned in the period, recorded in income, and adjusted to market value. Gains and losses are reported in a separate shareholders' equity account until realized, net of their corresponding tax effects and, thereafter, are allocated to income for the year as a contra entry to a separate shareholders' equity account.

  – **Held-to-maturity securities** - Securities for which the parent company and its direct and indirect subsidiaries have the intent and ability to maintain in portfolio to maturity are stated at cost, plus income earned through the balance sheet date, and recorded in income.

  Derivative financial instruments - swaps and futures contracts held in the portfolio of investments or exclusive and nonexclusive investment funds, as hedge against fluctuations in exchange and interest rates (Note 4.2) - are stated at market value (Note 4.3) and their related gains or losses are recorded in income for the year.

- Premiums received in installments are recorded as Premiums Receivable in current assets and written off as installments are received;

- Deferred income and social contribution tax credits were recognized at the rates in effect on December 31, 2007 and 2006.

(3.2) PERMANENT ASSETS

Stated at cost, monetarily adjusted through December 31, 1995, and, when applicable, reduced by a provision for losses or revalued, combined with the following aspects:

- Permanent investments in subsidiaries and, if significant, in associated companies, are accounted for under the equity method;

- The financial statements of foreign subsidiaries have been translated into accordance with the accounting practices adopted in Brazil for consistency with the financial statements of the Companies. These financial statements have been translated into Brazilian reais at exchange rates prevailing on

December 31, 2007 and 2006, as released by the Brazillian Central Bank (BACEN). Translation gains and losses arising from the depreciation or appreciation of the currency of the countries of each foreign subsidiary in relation to the Brazilian real are recorded in income under the heading financial income/(expenses);

- Depreciation of property and equipment is calculated under the straight-line method, based on the estimated useful lives of the assets stated in Note (7.3);

- Depreciation of property for rent, classified in investments, is calculated under the straight-line method, based on a 25-year estimated useful life;

- The amortization of deferred charges is calculated under the straight-line method, at the rates mentioned in Note (7.4).

(3.3) CURRENT AND NON-CURRENT LIABILITIES

Stated at the amounts known or payable, plus, when applicable, the related charges and monetary or exchange variations incurred:

- Third-party deposits refer mainly to insurance premiums received, whose policies have not yet been issued, and to installments not yet written off from Premiums Receivable;

- The provision for income and social contribution taxes was recognized at the rates in effect on December 31, 2007 and 2006;

- The unearned premium reserve is recognized on a daily *pro rata* basis, considering the beginning and ending dates of the insurance contract period;

- The unearned premium reserve related to risks in force associated with policy/ invoice not issued is calculated based on the percentage of expected late payments, based on the weighted average of late payments in the past 12 months in relation to the unearned premium reserve related to risks in force associated with policy/ invoice issued;

- The premium deficiency reserve is calculated for property and casualty, individual and group life and personal accident insurance to cover possible insufficiencies of the unearned premium reserve in order to cover future commitments. Therefore, said premium deficiency reserve is calculated based on an actuarial study that considers the present value of claims and future expenses, less related future premiums. In relation to individual and group health insurance, said reserve is estimated by adopting the methodology set forth by the National Council of Private Insurance (CNSP) Resolution No. 36, of December 8, 2000, which establishes the calculation of this reserve based on the data of the latest 12 months. Its recognition was necessary only for certain products of the life insurance and life insurance with survivorship coverage lines, considering that the policyholders will remain in the portfolio;

- The supplementary premium reserve for risks in force associated with policy/invoice issued and not issued was introduced by the CNSP Resolution

No. 162, of December 26, 2006. This reserve was monthly estimated to supplement the unearned premium reserve and recorded as of December 31, 2007. The supplementary premium reserve is recognized on a *pro rata* basis, taking into account the beginning and end dates of the coverage period and the retained premium, and is the positive difference between the average unearned premium reserve during the month when it is recorded and the unearned premium reserve recognized at the end of the respective month. The effects produced on income for the year and shareholders' equity, arising from the recording of this reserve, are presented in Note (10);

- The reserve for claims and claim adjustment expenses is recognized at the estimated indemnifiable amount, based on the notices of claims received and is adjusted periodically based on analysis by technical areas. For automobile and industrial and commercial lines, this reserve is adjusted for claims and claim adjustment expenses based on the final estimate of unpaid claims incurred, which is calculated based on the statistical method that considers the historical development of the reserve for claims and claim adjustment expenses and payments of claims;

- The reserve for benefits to be granted, related to private pension and life insurance with survivorship coverage, is calculated based on the financial transactions of each participant. Allocation to current and non-current liabilities is based on the projected cash flow of benefits granted for the next years, which considers actuarial assumptions, such as mortality table, retirement age and other assumptions;

- The reserve for benefits granted related to private pension and life insurance with survivorship coverage is calculated based on the present value of the expected future benefits for the participants who are already receiving the benefits and estimated based on mortality tables and guarantee of interest rates contracted;

- The financial surplus reserve, related to private pension, is calculated based on gains that exceed interest and/or monetary adjustment guaranteed in the plans;

- The reserve for future policy benefits, related to private pension, life insurance with survivorship coverage and life insurance corresponds to total lump-sum benefits and annuities overdue and not paid to participants and beneficiaries arising from events occurred up to December 31, 2007 and 2006, including monetary adjustment;

- The purpose of the risk fluctuation reserve is to reduce the risk of possible fluctuations in the volume of private pension claims. The risk fluctuation reserve is calculated stochastically, based on the fluctuations of historical claim rates and ensures a reserve that is sufficient to reduce the probability of default of the portfolio to one percent (1%);

- The reserve for administrative expenses related to private pension is calculated based on the present value of the administrative expenses estimated for payments of future benefits, including assumptions of the time the participant remains in the portfolio and beginning of benefit payments;

- The contribution deficiency reserve related to private pension is calculated based on the difference between the amount accounted for as of December 31, 2007 and 2006 of the mathematical reserve for benefits to be granted, mathematical reserve for benefits granted and unexpired risk reserve, and the amounts recalculated based on expectations of future mortality behavior, calculated based on the AT83-Male mortality table, and the time the participant remains in the portfolio, without using the future financial gains expected from investments of such reserves;

- The incurred but not reported (IBNR) reserve is recognized based on the history of notices of claims using the run-off triangle and adjusted by statistical method to include the future development of claims. The IBNR reserve for DPVAT (mandatory third-party liability for vehicle owners) was recognized as established by CNSP Resolution No. 138/05, amended by CNSP Resolution No. 144/06, until December 31, 2006. From January 1, 2007, this reserve started to be recognized as established by CNSP Resolution No. 153/06;

- For individual life and private pension, the IBNR reserve is recognized based on the premium or claim percentages established by SUSEP, in accordance with SUSEP Circular No. 288, of April 1, 2005;

- The financial fluctuation reserve, related to private pension, is recorded under the heading Other Reserves in non-current liabilities, and is calculated to cover changes between the inflation index established for the private pension plans and the annual variation of the private pension benefits paid by the National Institute of Social Security (INSS), according to specific conditions established in a collective agreement entered into by the indirect subsidiary Sul América Seguros de Vida e Previdência S.A. The methodology takes into consideration an interest rate of 6% p.a. in accordance with the minimum guarantee defined in technical notes prepared by internal actuaries and stochastic scenarios of inflation indexes;

- The unexpired risk reserve is recognized on a daily *pro rata* basis, considering the beginning and ending dates of the individual life insurance and private pension contract period;

- The unexpired risk reserve for risks in force but policy not issued is calculated based on the percentage of expected late payments, based on the weighted average of late payments in the past twelve months in relation to the issued contributions/premiums;

- Civil and labor contingencies, which are being challenged in court, and the reserves for claims and claim adjustment expenses under legal dispute are periodically reviewed and monthly adjusted according to the National Consumer Price Index (INPC) and interest at 0.5% or 1% per month. From March 31, 2007, labor contingencies started to be adjusted according to the single table for adjustment and inflation and currency translation of labor debts. These contingencies are recorded based on the opinion of the internal legal department, independent legal counsel and Management regarding the probable outcome of lawsuits, and specific percentages, according to the likelihood of loss, obtained based on the analysis of the history of payments made from April 2004 to September 2006, totaling 30 months. In December

31, 2007, said analysis was up dated based on the history of payments made from April 2004 to September 2007, totaling 42 months. In December 2006, totaling 30 months. Said percentages were actuarially calculated based on an analysis of the relationship between the amounts referring to the lawsuits whose outcomes were successful, lawsuits that were settled in court and those whose outcomes were unfavorable and their corresponding historical estimates of risk exposure. Accrued liabilities for contingencies are recorded under Accrued Liabilities for Contingencies and Reserve for Claims and Claims Adjustment Expenses in current and non-current liabilities, and consider the current amounts of the corresponding contingencies. The respective attorney fee awards are recorded under Other Accounts Payable in current and non-current liabilities. The corresponding judicial deposits are recorded under Judicial Deposits in non-current assets, and are monetarily adjusted according to the Referential Rate (TR) and the Special System for Settlement and Custody (SELIC).

- Accrued liabilities for tax contingencies, which are being challenged in court, are periodically reviewed and monthly adjusted according to the TR and SELIC, and are recorded based on the opinion of the internal legal department, independent legal counsel and Management regarding the probable outcome of lawsuits. The parent company and its direct and indirect subsidiaries adopt the procedure of accruing the total tax contingencies whose likelihood of loss was considered probable and a portion of tax contingencies, based on an individual analysis of lawsuits, whose likelihood of loss was considered possible or remote. In conformity with NPC No. 22, issued by the Brazilian Institute of Accountants (IBRACON), and Resolution No. 489/2005, issued by the Brazilian Securities Commission (CVM), the amounts referring to challenges related to the illegality or unconstitutionality of taxes, contributions and other tax liabilities, previously classified in Tax Contingencies, are recorded in Accounts Payable in non-current liabilities. The corresponding judicial deposits are recorded under Judicial Deposits in non-current assets, and are adjusted according to the TR and the SELIC.

The reclassification of judicial deposits from assets to liabilities, in which they would be deducted from Accrued Liabilities for Contingencies and Accounts Payable, foreseen by Deliberation No. 489/2005, issued by CVM was not made because although such reclassification was provided for by the above regulation, it was not included in the chart of accounts and model of publication of financial statements introduced by SUSEP and ANS.

The preparation of financial statements in accordance with Brazilian accounting practices requires the management of the parent company and its subsidiaries to adopt estimates and judgments for recording certain transactions that affect assets and liabilities, income and expenses, as well as the disclosure of financial statements data. The final results of these transactions and information, when actually realized in subsequent periods, may differ from these estimates. The main estimates related to financial statements refer to the recording of the effects arising from the allowance for doubtful accounts and other assets, technical reserves, deferral of acquisition costs and accrued liabilities for contingencies.

(4) MARKETABLE SECURITIES

(4.1) FINANCIAL INSTRUMENTS

The main risks arising from the business of the parent company and its direct and indirect subsidiaries are: interest risk, credit risk, liquidity risk and exchange rate risk. Management of these risks involves different departments of the SulAmérica Seguros Group and comprises a series of strategies and policies considered adequate by Management.

- **Interest risk** - The direct and indirect subsidiaries adopt a process of measuring and monitoring risk under normal and unfavorable market conditions to manage the risk of interest and term fluctuation.
- **Credit risk** - The credit policy takes into account the peculiarities of insurance operations and is focused on maintaining the flexibility required by the market and customer needs. The direct and indirect subsidiaries have an approval plan for operations of risk acceptance and respective insurance policy issuance, which also includes analysis of customer credit history and risk exposure of each operation. The method adopted to calculate the allowance for doubtful accounts is described in Note (5.1).
- **Liquidity risk** - The main objective of liquidity risk management is to monitor the terms for settling the receivables and payables of the direct and indirect subsidiaries, as well as the liquidity of financial instruments. The parent company and its direct and indirect subsidiaries prepare projected cash flow analyses and periodically review liabilities assumed and financial instruments used, principally related to assets held in guarantee of technical reserves. See Note (11) – Guarantee of Technical Reserves.
- **Exchange rate risk** - The parent company and its direct and indirect subsidiaries are exposed to exchange rate risk, mainly related to its industrial and commercial insurance operations, due to the large number of insurance and reinsurance contracts denominated in foreign currencies, to investments (related, mainly, to its foreign subsidiaries), and to loans and financing. The parent company and its direct and indirect subsidiaries monitor and analyze their foreign currency-denominated accounts receivable and payable through derivative contracts, mainly futures and swaps contracts, aiming at balancing exchange rates exposure and reducing the impact of exchange rate variations on its income. As of December 31, 2007, the parent company's exposure to liabilities linked to foreign currency amounted to R$231,539. In the consolidated, the exposure to assets linked to foreign currency amounted to R$45,992 (R$72,480 in 2006), that of liabilities amounted to R$277,531 (R$48,037 in 2006).

(4.2) DERIVATIVES

Under BACEN Resolution No. 3,308/05, amended by BACEN Resolution No. 3,358/06, which regulates the use of funds guaranteeing technical reserves, prevailing insurance legislation established by SUSEP, ANS and guidelines of the Internal Committees, parent company and its direct and indirect subsidiaries use derivative financial instruments, comprising mainly futures and swap contracts in its exclusive investment funds, to hedge against fluctuations in exchange and interest rates, as described in item (4.1).

(4.2.1) RISK MANAGEMENT

Exclusive investment funds have risk exposure limits established by the parent company and its direct and indirect subsidiaries s' investment policy and are monitored, on a daily basis, by the Quantitative and Risk Analysis Area.

The risk is measured for each asset and strategy, on a daily basis, by the Risk Area. Back tests by asset and portfolio are also conducted to evaluate the efficiency of this model.

The assets of exclusive investment funds are valued at market value according to legislation, using prices and indexes disclosed by National Association of Financial Market Institutions (ANDIMA), Commodities & Futures Exchange (BM&F) and São Paulo Stock Exchange (BOVESPA), except for held-to-maturity securities, which are adjusted based on agreed indexes plus incurred interest.

(4.2.2) EXPOSURE OF DERIVATIVES

The financial instruments of the parent company and its direct and indirect subsidiaries are shown below and are traded on the Commodities & Futures Exchange:

SWAP CONTRACTS

								Consolidated
Funds	**Maturity**	**Updated asset value**			**Updated liability value**			
		CDI (*)	**IGP-M (*)**	**USD**	**CDI**	**IGP-M**	**USD**	**Gain / (Loss) for the year ended December 31, 2007**
Titanium SAS Fundo de Investimento Multimercado	June/2008	3,919	4,965	-	4,558	4,950	-	(63)
Titanium SAS Fundo de Investimento Multimercado	July/2008	23,909	-	17,713	18,182	-	20,582	2,813
Sul América Classic FI Multimercado	July/2008	14,783	-	-	-	-	13,388	1,518
Sul América Platinum FI Multimercado	July/2008	22,753	-	-	-	-	20,081	2,752
SAS Fundo de Investimento Renda Fixa	June/2008	2,487	-	-	-	2,605	-	(110)
Total		**67,851**	**4,965**	**17,713**	**22,740**	**7,555**	**54,051**	**6,910**

Funds	Maturity	Updated asset value			Updated liability value			
		CDI (*)	IGP-M (*)		CDI	IGP-M		Gain / (Loss) for the year ended December 31, 2006
SAS Fundo de Investimento Renda Fixa	June/2007	1,842	-		-	1,848		(5)
SAS Fundo de Investimento Renda Fixa	June/2008	1,588	-		-	1,596		(8)
Titanium SAS Fundo de Investimento Multimercado	June/2007	4,297	5,045		4,805	5,030		(87)
Titanium SAS Fundo de Investimento Multimercado	June/2008	3,507	4,257		4,023	4,245		(97)
Total		**11,234**	**9,302**		**8,828**	**12,719**		**(197)**

*CDI: interbank deposit rate
**IGP-M: general market price index

FUTURES CONTRACTS

				Parent Company
				2007
			Number of	**Put (call)**
Funds	**Maturity**	**Index**	**contracts**	**position**
FI Sasa Hedge Multimercado	July/2008	DI	200	17,364
FI Sasa Hedge Multimercado	January/2010	DI	59	4,633
FI Sasa Hedge Multimercado	February/2008	Dollar	5	(447)
FI Sasa Hedge Multimercado	February/2008	IND	5	(322)
FI Sasa Hedge Multimercado	January/2008	DI	5	(443)
FI Sasa Hedge Multimercado	February/2008	DI	190	(16,839)
Total			**464**	**3,946**

				Consolidated
				2007
			Number of	Put (call)
Funds	**Maturity**	**Index**	**contracts**	**position**
Sul América Classic Multimercado	July/2009	DI	30	(2,514)
Sul América Classic Multimercado	January/2008	DI	35	(3,499)
Sul América Classic Multimercado	July/2008	DI	30	(2,844)
Sula Fundo de Investimento Multimercado	February/2008	Dollar	40	(3,579)
FI Sasa Hedge Multimercado	July/2008	DI	200	17,364
FI Sasa Hedge Multimercado	January/2010	DI	59	4,633
FI Sasa Hedge Multimercado	February/2008	Dollar	5	(447)
FI Sasa Hedge Multimercado	February/2008	IND	5	(322)
FI Sasa Hedge Multimercado	January/2008	DI	5	(443)
FI Sasa Hedge Multimercado	February/2008	DI	190	(16,839)
Fundo BB Saúde de Renda Fixa	July/2009	DI	40	133
Fundo BB Recursos de Liquidez Brasilveículos	January/2009	DI	250	21,666
Total			**889**	**13,309**
				2006
			Number of	**(call)**
Funds	**Maturity**	**Index**	**contracts**	**position**
Fundo Sul América Classic	February/2007	Dollar	111	(11,920)
Fundo Sul América Classic	January/2008	DI	310	(27,601)
Fundo Sul América Classic	January/2009	DI	29	(2,298)
Sul América Especial I Fundo de Investimento em Ações	February/2007	Dollar	89	(9,557)
Sul América Especial I Fundo de Investimento em Ações	July/2007	DI	57	(5,374)
Titanium SAS Fundo de Investimento Multimercado	February/2007	Dollar	156	(16,752)
Sul América Platinum Fundo de Investimento Multimercado	February/2007	Dollar	121	(12,993)
Sul América Platinum Fundo de Investimento Multimercado	January/2008	DI	190	(16,917)
Sul América Platinum Fundo de Investimento Multimercado	January/2009	DI	21	(1,664)

Total			**1,084**	**(105,076)**

As of December 31, 2006, the parent company did not have any exposure of derivative financial instruments.

(4.2.3) MARKETABLE SECURITIES

Composed of:

		Parent Company
	2007	**2006**
Fixed income securities - private	**967,513**	**-**
Exclusive investment funds	386,513	-
Non-exclusive investment funds	581	-
Fixed income securities - government	**-**	**915**
Financial treasury bills	-	915
Total	**387,094**	**915**
Current	**387,094**	**915**

		Consolidated
	2007	**2006**
Fixed income securities - private	**1,010,187**	**680,703**
Non-exclusive investment funds	185,279	76,844
Bank certificates of deposit	404,419	300,787
Debentures	57,473	21,180
Swaps	6,183	(1,011)
Export Notes	-	52,095
Resale commitments - Overnight	356,806	230,808
Other	27	-
Fixed income securities - government	**3,964,067**	**3,167,029**
Financial treasury bills	1,799,355	1,160,457
National treasury notes	1,752,681	1,626,250
National treasury bills	385,213	348,866
Agricultural debt securities	16,779	18,949
Federal treasury bonds	9,455	12,464
Other	584	43
Equity securities	**67,924**	**79,350**
Shares	66,554	77,845
Other	1,370	1,505
Other	**2,276**	**1,928**
Subtotal	**5,044,454**	**3,929,010**
Provision for losses	**(1,063)**	**(559)**
Total	**5,043,391**	**3,928,451**
Current	**3,424,131**	**2,335,409**
Non-current	**1,619,260**	**1,593,042**

As of December 31, 2006, the increase in Marketable Securities mainly refers to the investment of a portion of the proceeds from the public offering of units carried out by the parent company, as described in Note (17.1.1).
In March 2007, Fixed-income Securities – Private, classified into held-to-maturity securities that comprised the exclusive investment fund portfolio in the amount of R$235,742, were disposed and new investments were purchased and included in the portfolio and classified into held-to-maturity and trading securities, as mentioned in Note (16.5).

As of December 31, 2007, the parent company's exclusive investments funds are as follows:

	2007	**2006**
Fixed income securities - government	**53,779**	**-**
Financial treasury bills	53,151	-
National treasury notes	628	-
Fixed income securities - private	**330,137**	**-**
Non-exclusive investment funds	104,400	-
Resale commitments - Overnight	225,737	-
Equity securities	**2,618**	**-**
Shares	2,618	-
Other	**(21)**	**-**
Other	(21)	-
Total	**386,513**	**-**

As of December 31, 2007, the maturities of marketable securities, except those of Non-exclusive Investment Funds and Equity Securities, comprising the parent company's exclusive investment funds are as follows:

Maturity	**Cost plus income**	**Market value**
Up to 2 years	231,252	231,252
From 2 to 5 years	17,091	17,091
From 5 to 10 years	31,173	31,173
Total	**279,516**	**279,516**

The classification of marketable securities as of December 31, 2007 and 2006, in accordance with the recognition and valuation criteria described in Note (3.1), is as follows:

Parent Company 2007

TRADING SECURITIES	Cost plus income	Market value	Unrealized gains (losses)
Fixed income - private	**330,718**	**330,718**	**-**
Non-exclusive investments funds	104,981	104,981	-
Resale commitments - Overnight	225,737	225,737	-
Fixed income securities - government	**53,779**	**53,779**	**-**
Financial treasury bills	53,151	53,151	-
National treasury notes	628	628	-
Equity securities	**2,597**	**2,597**	**-**
Shares	2,618	2,618	-
Other	(21)	(21)	-
Total	**387,094**	**387,094**	**-**

			2006
TRADING SECURITIES	Cost plus income	Market value	Unrealized gains (losses)
Fixed income - private	**915**	**915**	**-**
Non-exclusive investments funds	915	915	-
Total	**915**	**915**	**-**

			Consolidated 2007
TRADING SECURITIES	Cost plus income	Market value	Unrealized gains (losses)
Fixed income - private	**676,403**	**676,403**	**-**
Non-exclusive investments funds	185,279	185,279	-
Swap	6,183	6,183	-
Bank certificates of deposit			

	79,551	79,551	-
Resale commitments - Overnight	356,806	356,806	-
Debentures	48,584	48,584	-
Fixed income - government	**2,059,189**	**2,059,189**	**-**
Financial treasury bills	1,366,333	1,366,333	-
National treasury bills	366,206	366,206	-
Federal treasury bonds	9,455	9,455	-
Agricultural debt securities	16,076	16,076	-
National treasury notes	301,119	301,119	-
Equity securities	**55,037**	**55,037**	**-**
Shares	53,787	53,787	-
Other	1,250	1,250	-
Subtotal	**2,790,629**	**2,790,629**	**-**
AVAILABLE-FOR-SALE SECURITIES			
Fixed income - private	**333,716**	**333,615**	**(101)**
Bank certificates of deposit	324,866	324,858	(8)
Debentures	8,823	8,730	(93)
Other	27	27	-
Fixed income - government	**502,410**	**504,497**	**2,087**
Financial treasury bills	425,162	425,200	38
Agricultural debt securities	703	703	-
National treasury notes	56,954	59,050	2,096
National treasury bills	19,007	18,960	(47)
Other	584	584	-
Equity securities	**2,017**	**12,088**	**10,071**
Shares	1,897	11,968	10,071
Other			

	120	120	-
Subtotal	**838,143**	**850,200**	**12,057**

HELD-TO-MATURITY SECURITIES

	Market value	Cost plus income	Unrealized gains (losses)
Fixed income - government	**1,465,430**	**1,400,286**	**65,144**
Financial treasury bills	7,774	7,774	-
National treasury notes	1,457,656	1,392,512	65,144
Subtotal	**1,465,430**	**1,400,286**	**65,144**
Other	**2,276**	**2,276**	**-**

TRADING SECURITIES	Cost plus income	Market value	2006 Unrealized gains (losses)
Fixed income - private	**385,834**	**385,834**	**-**
Non-exclusive investments funds	76,844	76,844	-
Swap	(1,011)	(1,011)	-
Export notes	52,095	52,095	-
Bank certificates of deposit	11,948	11,948	-
Resale commitments - Overnight	230,808	230,808	-
Debentures	15,150	15,150	-
Other			
Fixed income - government	**1,381,618**	**1,381,618**	**-**
Financial treasury bills	842,918	842,918	-
National treasury notes	339,968	339,968	-
National treasury bills	12,464	12,464	-
Agricultural debt securities	18,555	18,555	-
Federal treasury bonds	167,713	167,713	-
Equity securities	**76,139**	**76,139**	**-**
	74,754	74,754	-

Shares	1,385	1,385	-
Subtotal	**1,843,591**	**1,843,591**	**-**
AVAILABLE-FOR-SALE SECURITIES			
Fixed income - private	**294,872**	**294,755**	**(117)**
Bank certificates of deposit	288,842	288,761	(81)
Debentures	6,030	5,994	(36)
Fixed income - government	**362,626**	**364,626**	**2,000**
Financial treasury bills	301,312	301,340	28
National treasury notes	8,845	8,898	53
Agricultural debt securities	394	394	-
Federal treasury bonds	52,032	53,951	1,919
Other	43	43	-
Equity securities	**2,699**	**2,864**	**165**
Shares	2,579	2,744	165
Other	120	120	-
Subtotal	**660,197**	**662,245**	**2,048**
HELD-TO-MATURITY SECURITIES			
	Market value	**Cost plus income**	**Unrealized gains**
Fixed income - government	**1,511,755**	**1,420,687**	**91,068**
Financial treasury bills	16,112	16,101	11
National treasury notes	1,495,643	1,404,586	91,057
Subtotal	**1,511,755**	**1,420,687**	**91,068**
Other	**1,928**	**1,928**	**-**

As of December 31, 2007, the cost plus income and the market value, by maturity, of marketable securities, except for Non-exclusive Investment Funds and Equity securities, are as follows:

Consolidated

Maturity	Cost plus income	Market value
Up to 2 years	1,447,054	1,447,870
From 2 to 5 years	1,721,552	1,709,764
From 5 to 10 years	960,831	945,145
Over to 10 years	659,564	753,352
Total	**4,789,001**	**4,856,131**

(4.3) CRITERIA ADOPTED FOR ESTIMATING MARKET VALUES

The criteria adopted to estimate the market value of marketable securities, the parent company and its subsidiaries main financial instruments, are as follows:

- Fixed income securities - government - calculated based on the unit price lists for the secondary market disclosed by ANDIMA;

- Fixed income securities - government - held in guarantee of the IBNR reserve for DPVAT (mandatory third-party liability for vehicle owners) - calculated based on the average market value of securities, as set forth in BACEN Resolution No. 550;

- Bank certificates of deposit (CDB) - calculated based on the unit price lists (for government securities) for the secondary market disclosed by ANDIMA and, through an internal rating process, a spread is added to this value;

- Debentures - calculated based on the unit price lists (for government securities) for the secondary market disclosed by ANDIMA and, through an internal rating process, a spread is added to this value;

- Exclusive and Non-exclusive investment funds - calculated in accordance with the mark to market criteria established by the Manager of each fund, expressed in the disclosed value of the quota, except for held-to-maturity securities, which are calculated based on the agreed-upon indexes, plus interest incurred;

- Equity securities and shares of publicly-held companies traded on stock exchanges or the over-the-counter market - calculated based on the average price on the last trading day of the closing month of the period;

- Export Notes - calculated based on Future DI and Future USD curves of the BM&F determined by Sul América Investimentos Distribuidora de Títulos e Valores Mobiliários S.A., and, through an internal rating process, a spread is added to this value.

The criteria adopted by the parent company and its direct and indirect subsidiaries to estimate the market value of other assets and liabilities were as follows:

- Permanent investments basically comprise investments in subsidiaries and associated companies, accounted for under the equity method. Due to the strategy of investments in these subsidiaries and associated companies, the Management of such companies has not estimated the market value of these investments;

- The amounts of other current receivables and payables recorded in current approximate their realizable and payable values, respectively, due to their short-term maturity.

(5) PREMIUMS RECEIVABLE

Composed of:

		Consolidated
	2007	**2006**
Automobile	582,004	601,982
Individual health **(a)**	125,562	46,158
Group health	87,705	87,472
Group life	42,201	41,775
Named perils and operating risks	27,532	21,975
Cargo liability	19,305	17,724
Cargo	13,026	16,046
Business comprehensive	12,680	11,775
Hull	10,970	20,529
Personal accident	7,728	6,162
Business comprehensive	2,744	13,218
Third-party liability	6,852	5,593
Miscellaneous P&C	4,505	3,193
Other	18,489	7,571
Total	**961,303**	**901,173**
Current	**944,955**	**901,161**
Non-current	**16,348**	**12**

Premiums receivable consist of direct premiums issued, accepted coinsurance, and retrocession operations.
(a) On May 30, 2007, as a result of the decision on the Public Civil Action, filed by the Public Attorney's Office of the State of São Paulo, the collection of adjustment indexes in connection with the individual plans acquired before January 1, 1999 was authorized, as mentioned in Note (18.1). As of December 31, 2007, the balance of premiums receivable not yet charged, amounting to R$65,394; shall be collected as mentioned in Note (18.1), being recorded under Premiums Receivable, of which R$49,046 in current assets and R$16,348 in non-current assets.

As of December 31, 2007 and 2006, the premiums receivable, by maturity, are as follows:

		Consolidated
	2007	**2006**
Overdue	233,695	221,478
Due from 1 to 30 days	298,828	294,379
Due from 31 to 60 days	131,366	131,945
Due from 61 to 180 days	209,537	206,621
Due from 181 to 365	71,529	46,738

days		
Due up to 365 days	16,348	12
Total	**961,303**	**901,173**

(5.1) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is established based on a study conducted of the experience of losses due to default incurred in recent years, as well as on the analysis of the characteristics inherent to the lines of business of subsidiaries engaged in insurance operations. The allowance for doubtful accounts corresponds to the premiums falling due and past due of expired risks, which policies involve at least one installment past due for more than 60 days (in 2006 they corresponded to premiums past due for more than 60 days), less the percentage of recovery of past due premiums and net of the tax on insurance operations and the corresponding percentages related to commissions and reinsurance. Premiums receivable from unexpired risks are normally cancelled after 32 and 60 days of default, depending on the insurance line. The subsidiary Sul América Companhia de Seguro Saúde established a provision for expected default arising from the adjustment and other expenses arising from the collection of retroactive premiums mentioned in item **(a)** in the amount of R$26,157 as of December 31, 2007, recorded under Allowance of Doubtful Accounts, of which R$19,618 in current assets and R$6,539 in non-current assets. As of December 31, 2007, the consolidated Allowance for Doubtful Accounts totals R$95,078 (R$74,472 in 2006) in current assets and R$6,539 in non-current assets.

(6) RECOVERABLE TAXES AND CONTRIBUTIONS

Deferred tax bases comprise the following:

		Parent Company		**Consolidated**
	2007	**2006**	**2007**	**2006**
Tax loss carryfowards	30,386	4,740	606,639	751,909
Accrued liabilities for contingencies and provision for losses	33,402	1,537	1,235,365	1,228,270
Goodwill on investments	2,655	2,141	353,589	350,086
Other	4,000	4,000	27,111	(1,303)
Tax basis	**70,443**	**12,418**	**2,222,704**	**2,328,962**
Rate	25%	25%	25%	25%
(1) Deferred - income tax	**17,611**	**3,105**	**555,676**	**582,241**
Social contribution tax loss carryforwards	55,776	29,010	849,631	973,403

Accrued liabilities for contingencies and provision for losses	33,419	1,619	758,761	631,228
Goodwill on investments	-	-	1,615	3,554
Other	4,000	4,000	25,646	(1,303)
Tax basis	**93,195**	**34,629**	**1,635,653**	**1,606,882**
Rate	9%	9%	9%	9%
(2) Deferred - social contribution	**8,388**	**3,117**	**147,209**	**144,619**
(1) +(2) Total deferred income tax and social contribution	**25,999**	**6,222**	**702,885**	**726,860**
Allowance for doubtful accounts (a)	(24,072)	(4,294)	(274,575)	(255,233)
(3) Subtotal (b)	**1,927**	**1,928**	**428,310**	**471,627**
(4) Goodwill - Merger of SLT Participações S.A. (c)	**-**	**-**	**-**	**5,316**
(5) Goodwill - Merger of STA Participações S.A. (d)	**-**	**-**	**-**	**10,548**
(6) Goodwill - Merger of SATMA Sul América Participações S.A. (d)	**-**	**-**	**-**	**294**
(7) Subtotal	**1,927**	**1,928**	**428,310**	**487,785**
(8) PIS/ COFINS (taxes on revenue) Credits (e)	**-**	**-**	**59,681**	**57,047**
(7) + (8) Total deferred tax and contributions - net	**1,927**	**1,928**	**487,991**	**544,832**
Current	**1,426**	**1,427**	**89,548**	**111,758**
Non-current	**501**	**501**	**398,443**	**433,074**

The current and non-current portions are recorded under Recoverable Taxes and Contributions, which also contemplates other recoverable taxes and contributions. As of December 31, 2007, the parent company's balance amounts to R$10,136 (R$3,393 in 2006) and the consolidated balance amounts to R$207,091 (R$196,467 in 2006) in current assets; whereas the parent company's balance amounts to R$24,896 (R$5,119 in 2006) and the consolidated balance amounts to R$736,189 (R$656,122 in 2006), respectively, in non-current assets.

(a) The valuation allowance accounts related to deferred income tax and social contribution was recorded based on Management's estimates as to the realization of future taxable income and on certain temporary differences.

(b) The amounts represent deferred tax credits arising from tax losses, social contribution tax loss carryforwards and temporary differences, net of allowance for doubtful accounts. The estimates of the Management of the Company and its direct and indirect subsidiaries as to the realization of tax credits are based on budgets prepared and approved for the next 3 to 10 years that include, among other things, the following actions that were or are to be implemented by their main operating subsidiaries, as follows:

- Sul América Seguro Saúde S.A. and Sul América Companhia de Seguro Saúde: Launching of new products, such as SulAmérica Saúde Fit; reformulation of the product SulAmérica Saúde PME, targeted at small and medium-sized companies and strengthening of the Programa SulAmérica Saúde Ativa - that makes SulAmérica a reference in preventive medicine. Stricter control over operating costs associated with internal processes as well as those of service providers, through the renegotiation of contracts entered into with hospitals of the referral network, the stricter fraud control and the implementation of a comprehensive project for management of claims.

- Sul América Companhia Nacional de Seguros - Investment in actions for increasing sales by reinforcing its partnership with insurance brokers, specific programs for increasing the remuneration of brokers, and actions for obtaining the loyalty of insureds, of which we highlight, among others, C.A.S.A. SulAmérica - Centro Automotivo de Super Atendimento, which provides to insureds higher comfort and safety when vehicles damaged in accidents are fixed. Investment in actions for reducing the claim ratio through the installation of tracking devices (electronic devices for locating stolen vehicles), the improvement of processes for acceptance and pricing of risks and regulation of claims and the entering into agreements for providing parts to service stations.

- Sul América Seguros de Vida e Previdência S.A. – Launching of a series of innovative products, such as Prev 10, SulAmérica Simplificado and Sulamérica Previdência Empresarial, aimed at strengthening its operations in the corporate segment, focusing on small and medium-sized companies. Launching of a new line of life insurance products, already adjusted to the new SUSEP regulation in force and implementation of a program for the migration of certain old life policies with potential actuarial unbalances. Moreover, from 2006 the Company started a process for adjusting the life policy premiums and discontinuing those that are not profitable, contributing to the reduction in claim ratio.

As of December 31, 2007, the estimated realization of tax credits by year is as follows:

		Parent Company		**Consolidated**
Year	**Income tax**	**Social contribution**	**Income tax**	**Social contribution**
2008	3%	2%	7%	9%
2009	3%	2%	9%	12%
2010	0%	0%	5%	9%
2011	0%	0%	4%	5%

2012	0%	0%	4%	4%
2013 to 2015	0%	0%	31%	14%
2013 to 2017	94%	96%	40%	47%

The realization of tax credits related to accrued liabilities for contingencies, taxes and contribution payable and provision for losses was allocated to the last years of our projections due to the difficulty in presently estimating the outcome and date of conclusion of these litigations.

(c) Goodwill recorded in the subsidiary Sul América Companhia de Seguro Saúde, derived from the merger, on May 31, 2002, of its investor SLT Participações S.A. The goodwill in the amount of R$187,631, is based on the expected future income. According to CVM Instructions No. 319/99 and No. 349/01, the subsidiary recorded a provision for the difference between the amount of merged goodwill and the tax benefit derived from its amortization, which is presented as a reduction of the Deferred Taxes in the amount of R$123,845. The amortization of goodwill, started in 2002 at the rate of 20% per year, was included in the budgets prepared by the subsidiary's Management. Up to May 31, 2007, the goodwill was fully amortized.

(d) Goodwill recognized by the investors STA Participações S.A. and SATMA – Sul América Participações S.A. on the balances of their investments in the subsidiary Sul América Companhia Nacional de Seguros, based on expected future income. On December 30, 2002, its subsidiary Sul América Companhia Nacional de Seguros merged these companies and recognized said goodwill in its accounting records, as contra entry to Special Goodwill Reserve in Shareholder's Equity in the amount of R$159,436. According to CVM Instructions No. 319/99 and No. 349/01, the subsidiary Sul América Companhia Nacional de Seguros recorded a provision for the difference between the amount of merged goodwill and the expected future tax benefit derived from its amortization, which is presented as a reduction of Deferred Taxes in the amount of R$105,228. The amortization of goodwill, started in 2002 at the rate of 20% per year, was included in the budgets prepared by the subsidiary's Management. Up to December 31, 2007, the goodwill was fully amortized.

(e) Refers to PIS and COFINS tax credits calculated on the balance of reserves for claims and claim adjustment expenses and IBNR reserve.

As of December 31, 2007, the balances of tax loss carryforwards are as follows:

		Parent Company		**Consolidated**
Year	**Income tax**	**Social contribution**	**Income tax**	**Social contribution**
1994	-	12,637	9,479	21,410
1995	-	-	-	-
1996	-	-	-	-
1997		-	-	65,243

	-			
1998	-	-	-	13,973
1999	-	852	-	32,231
2000	-	1,599	19,243	22,679
2001	2,667	11,305	22,280	39,474
2002	-	-	180,365	214,530
2003	2,095	2,616	73,105	55,634
2004	-	-	83,326	93,755
2005	-	-	105,500	192,956
2006	-	-	63,830	62,215
2007	25,624	26,767	49,511	35,531
Tax losses carryforwards balances as of December 31, 2007	**30,386**	**55,776**	**606,639**	**849,631**

(7) PERMANENT ASSETS

(7.1) EQUITY IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Composed of:

Description	**Sul América Companhia Nacional de Seguros**	**Saepar Serviços e Participações S.A.**	**Sul América Companhia de Seguro Saúde**	**Parent Company Total**
Ownership interest	23.76%	99.95%	33.65%	
Number of common shares held	485,912,659	3,435,397	20,160,346	
Number of preferred shares held	-	-	5,008,232	
Capital	857,562	820,772	820,087	
Capital increase	10,548	-	-	

Shareholders' equity	1,376,759	1,127,178	1,174,986	
Net income for the period	273,481	246,638	336,663	
Base date of equity in subsidiaries	12/31/2007	12/31/2007	12/31/2007	
Equity in subsidiaries	62,859	246,445	112,280	421,584
Book value of investment	333,975	1,126,654	399,004	1,859,633
Goodwill	2,484	-	-	2,484
Investment balance as of December 31, 2007	**336,459**	**1,126,654**	**399,004**	**1,862,117**
Investment balance as of December 31, 2006	**287,136**	**281,813**	**340,862**	**909,811**

Description	**Seguradora Brasileira de Crédito a Exportação S.A.**	**Telemar Participações S.A.**	**Consolidated Total**
Ownership interest	12.09%	5.00%	
Number of common shares held	1,099,998	171,645,056	
Capital	9,165	2,113,074	
Shareholders' equity	18,822	2,504,748	
Net income for the period	2,934	247,160	
Base date of equity in associated companies	12/31/2007	12/31/2007	
Equity in associated companies	337	12,358	12,695
Book value of investment	2,275	125,237	127,512
Investment balance as of December 31, 2007	**2,275**	**125,237**	**127,512**
Investment balance as of December 31, 2006	**2,078**	**117,115**	**119,193**

(a) The investees' shareholders' equity increased by R$844,841 because of two capital increases, upon payment of capital with the amounts receivable by the shareholder Sul América S.A, approved at the Extraordinary Shareholders' Meetings held as follows: (i) on April 30, 2007, with the issue of 1,195,309 registered common shares, without par value, at the amount of R$311,940; and (ii) on December 21, 2007, with the issue of 998,649 registered common shares, without par value, at the amount of R$322,063.

(7.2) EQUITY IN SUBSIDIARIES – GOODWILL

		Parent Company
	2007	**2006**
Sul América Companhia Nacional de Seguros	5,138	5,138
Accumulated amortization	(2,654)	(2,142)
Total	**2,484**	**2,996**

		Consolidated
	2007	**2006**
Sul América Companhia Nacional de Seguros	5,138	5,138
Brasilveículos Companhia de Seguros	49,275	49,275
Accumulated amortization	(51,929)	(46,489)
Total	**2,484**	**7,924**

The amounts of goodwill shown above were not eliminated in consolidation and were based on expected future profitability. The annual amortization rate stands at 10% and as of December 31, 2007 the goodwill arising from the investment in the subsidiary Brasilveículos Companhia was fully amortized.

(7.3) PROPERTY AND EQUIPMENT

Composed of:

			Consolidated
	Annual depreciation rate (%)	**2007**	**2006**
Land	-	16,641	14,663
Buildings	4	121,482	126,474
Vehicles	20	5,475	6,239
IT equipment	20	66,143	59,830
Telecomunications equipment	10	9,949	9,528
Furniture, machinery and other equipment	10	49,597	46,131
Software	10 and 20	45,155	39,001
Other		567	577
Subtotal		**315,009**	**302,443**
Provision for losses		(804)	(909)
Depreciation		(161,010)	(142,979)
Total		**153,195**	**158,555**

(7.4) DEFERRED CHARGES

Composed of:

		Consolidated
	Annual	

	amortization rate (%)	2007	2006
Organization and implementation costs	10	624	833
Leasehold improvements	10	18,534	16,529
Project expenses (a)	10	49,239	46,319
Goodwill - Sul América Investimentos D.T.V.M.S.A. (b)	10	28,939	28,939
Subtotal		**97,336**	**92,620**
Amortization		(58,880)	(49,510)
Total		**38,456**	**43,110**

(a) Project expenses basically comprise expenses on the IT strategic plan, reengineering projects for the automobile line, electronic budgeting project for automobile claims and project for implementing the accounting system.

(b) At the Extraordinary Shareholder's Meeting held on November 30, 2000, the indirect subsidiary Sul América Investimentos Distribuidora de Títulos e Valores Mobiliários S.A. merged Sul América Investimentos S.A. The goodwill on the acquisition of the investment, in the amount of R$28,939, was reclassified to deferred charges, and is being amortized over ten years since its acquisition, based on future earnings of the merged operations.

(8) THIRD-PARTY DEPOSITS

Composed of:

		Consolidated
Description	**2007**	**2006**
Advanced collection of premiums - insurance	18,503	50,543
Premiums and fees received - insurance	9,659	22,802
Total	**28,162**	**73,345**
Current	**28,162**	**73,345**

(9) OTHER – OPERATING CHARGES

Composed of:

		Consolidated
	2007	**2006**
Comissions	96,331	111,787
Others	74,068	65,791
Total	**170,399**	**177,578**

Current	**167,820**	**169,256**
Non-current	**2,579**	**8,322**

(10) TECHNICAL RESERVES AND DEFERRED ACQUISITION COSTS - INSURANCE AND REINSURANCE

Composed of:

					Consolidated **2007**
	Unearned premium reserve, premium deficiency reserve and other reserves	**Reserve for benefits granted and to be granted, financial surplus reserve and reserve for future policy benefits and unexpired risk reserve**	**Reserve for claims and claims adjustment expenses and other technical reserves**	**IBNR reserve**	**Deferred acquisition costs**
Automobile	1,047,384	-	387,624	48,084	192,239
Individual health	66,296	2,107	90,590	143,329	97,896
Group life	31,969	-	157,301	67,709	8,676
Business comprehensive	19,565	-	24,542	1,436	7,771
Individual life	14,562	23,350	-	4,579	-
Third-party liability	9,849	-	24,813	919	2,041
Group health	9,622	9,508	111,742	235,342	65,436
Hull	8,382	-	8,397	1,492	1,084
Homeowners comprehensive	5,893	-	2,495	275	2,057
Miscellaneous P&C	4,955	-	4,287	524	1,167
Condominium comprehensive	3,212	-	2,533	95	1,451
Cargo liability	3,054	-	17,915	2,254	1
Cargo	2,437	-	13,713	1,342	20
DPVAT (mandatory third-					

party liability for vehicle owners)	1,773	-	84,401	6,875	-
Traditional fire insurance	900	-	10,743	184	825
VGBL - Life that Generates Free Benefits	553	131,750	-	-	3,295
Other	22,881	-	54,450	15,614	4,567
Total	**1,253,287**	**166,715**	**995,546**	**530,053**	**388,526**
Current	**1,213,814**	**54,835**	**654,777**	**530,053**	**233,977**
Non-current	**39,473**	**111,880**	**340,769**	**-**	**154,549**

					2006
	Unearned premium reserve, premium deficiency reserve and other reserves	**Reserve for benefits granted and to be granted, financial surplus reserve and reserve for future policy benefits**	**Reserve for claims and claims adjustment expenses and other technical reserves**	**IBNR reserve**	**Deferred acquisition costs**
Automobile	1,063,980	-	411,052	38,762	193,532
Individual health	62,531	3,365	57,232	170,187	102,792
Group life	31,732	-	172,402	61,765	8,078
Business comprehensive	18,797	-	21,458	1,933	7,629
Individual life	15,152	20,016	-	1,764	-
Third-party liability	7,556	-	21,670	865	1,330
Group health	4,679	8,431	67,721	219,949	44,474
Hull	20,844	-	3,931	489	9,557
Homeowners comprehensive	3,074	-	3,628	593	752
Miscellaneous P&C	3,655	-	2,787	174	1,667
Condominium comprehensive	3,049	-	14,042	2,924	1
Cargo liability	2,496	-	11,964	2,290	64

Cargo	11,030	-	8,067	1,249	2,688
DPVAT (mandatory third-party liability for vehicle owners)	-	-	51	76,257	-
Traditional fire insurance	1,170	-	10,228	126	682
VGBL - Life that Generates Free Benefits	405	74,866	-	-	2,101
Other	15,853	-	58,614	13,399	3,218
Total	**1,266,003**	**106,678**	**864,847**	**592,726**	**378,565**
Current	**1,230,105**	**39,618**	**534,399**	**592,726**	**237,102**
Non-current	**35,898**	**67,060**	**330,448**	**-**	**141,463**

As of December 31, 2007 and 2006, the Reserve for claims and claims adjustment expenses includes claims that are being disputed in court, related mainly to denial of coverage for non-fulfillment of contract conditions, related mainly to automobile and life lines.

Certain subsidiaries, which operate in the insurance business, prepared a specific actuarial study to estimate the average term of the unsettled claims. Supported by this study, said subsidiaries reclassified in 2006 the liabilities arising from claims that are being disputed in court and which maturities are over 12 months to Reserve for Claims and Claim Adjustment Expenses in non-current liabilities whose balance as of December 31, 2007 is R$340,769 (R$330,448 in 2006).

As of December 31, 2007, the indirect subsidiaries Sul América Companhia Nacional de Seguros, Sul América Seguros de Vida e Previdência S.A., Sul América Companhia de Seguros Gerais (new name of Gerling Sul América S.A. - Seguros Industriais, pending approval from SUSEP) and Brasilveículos Companhia de Seguros set up a supplementary premium reserve amounting to R$23,084, of which (i) R$13,613 for years prior to December 31, 2007, net of tax effects. For purposes of comparability, as required by the CVM Resolution No. 506/06, the effects were recognized as this reserve had been recorded at the respective years, see Notes (2.2) and (2.3), and (ii) R$9,471 charged to income for the year, for the effects of such reserve in 2007, net of tax effects.

(10.1) ROLL FORWARD OF CLAIMS BEING DISPUTED IN COURT

Composed of:

December 31, 2006	**422,675**
Additions	196,226
Writte-offs	(150,894)
December 31, 2007	**468,007**

(10.2) ROLL FORWARD IN TECHNICAL RESERVES AND DEFERRED ACQUISITION COSTS – PRIVATE PENSION

Composed of:

			Consolidated
			2007
	Technical reserves	IBNR reserve	Deferred acquisiton costs
December 31, 2006	**1,185,282**	**760**	**3,432**
Transfer to reserves	107,047	108	-
Income portability	44,528	-	-
Redemptions	(53,151)	-	-
Outgoing potability	(32,062)	-	-
Benefits	(37,844)	-	-
Monetary variation	155,093	-	-
Commisions	-	-	4,009
Amortization	-	-	(3,270)
December 31, 2007	**1,368,893**	**868**	**4,171**
Current	**324,170**	**868**	**2,801**
Non-current	**1,044,723**	**-**	**1,370**

			2006
	Technical reserves	IBNR reserve	Deferred acquisiton costs
December 31, 2005	**1,034,794**	**737**	**1,654**
Transfer to reserves	109,422	23	-
Income portability	31,027	-	-
Redemptions	(50,576)	-	-
Outgoing potability	(30,670)	-	-
Benefits	(33,255)	-	-
Monetary variation	124,540	-	-
Commisions	-	-	4,385
Amortization	-	-	(2,607)
December 31, 2006	**1,185,282**	**760**	**3,432**
Current	**287,840**	**760**	**1,754**
Non-current	**897,442**	**-**	**1,678**

(11) GUARANTEE OF TECHNICAL RESERVES

The technical reserves have the following coverage:

		Consolidated
	2007	**2006**
Exclusive investments funds	1,298,764	2,079,703
Equity fund quotas	778,263	559,981
Credit assignments	495,341	526,147
Fixed income securities - government	1,418,725	520,214

Bank certificates of deposits	269,169	178,939
Properties, net of depreciation	75,207	79,587
Judicial deposits	54,388	67,155
IRB - bank account - U.S. dollar	13,030	8,973
Special deposits at IRB	5,973	5,214
Shares and Debentures	942	-
Total	**4,409,802**	**4,025,913**

(12) RELATED PARTIES

The main related-party transactions are summarized as follows:

					Company
				Interest on	
	Accounts			**shareholders'**	**Advanced for**
	receivable	**Income**		**equity assets**	**future capital**
	(payable)	**(expenses)**	**Dividends**	**(liabilities)**	**(increase)**
Sul América Capitalização S.A. - SULACAP **(a)**, **(b)**	-	(22)	-	-	-
Sulasapar Participações S.A.	-	-	(29,120)	-	-
Saepar Serviços e Participações S.A. **(d)**	-	40	29,360	25,500	
Sulasa Participações S.A.	-	-	(1,867)	-	-
Brasilveículos Companhia de Seguros **(e)**	(5,000)	-	-	-	-
ING Insurance International NV	-	-	(19,057)	-	-
Sul América Companhia Nacional de Seguros	-	-	14,599	-	-
Sul América Companhia de Seguro Saúde	-	-	9,589	17,733	
Other subsidiaries and shareholders and individuals	-	(8)	(32,674)	(376)	-
Balances as of December 31, 2007	**(5,000)**	**10**	**(29,170)**	**42,857**	**-**
Balances as of December 31, 2006	**(3,992)**	**396**	**(1,926)**	**9,909**	**22,500**
					Consolidated
				Interest on	
	Accounts			**shareholders'**	**Advanced for**
	receivable	**Income**		**equity assets**	**future capital**

	(payable)	**(expenses)**	**Dividends**	**(liabilities)**	**(increase)**
Sul América Capitalização S.A. - SULACAP **(a)**, **(b)**, **(c)**	341	1,959	-	-	-
Sulasapar Participações S.A.	-	-	(29,120)	-	-
Sulasa Participações S.A.	-	-	(1,867)	-	-
ING Insurance International NV	-	-	(19,057)	-	-
Seguradora Brasileira de Crédito à Exportação S.A.	-	-	140	-	-
Telemar Participações S.A.	-	23	4,236	-	-
BB Banco Investimentos S.A.	-	-	(18,472)		
Other subsidiaries and shareholders and individuals	(1,970)	196	(34,885)	(1,756)	
Balances as of December 31, 2007	**(1,629)**	**2,178**	**(99,025)**	**(1,756)**	**-**
Balances as of December 31, 2006	**(2,085)**	**302**	**(21,037)**	**(1,738)**	**33**

The accounts receivable (payable) and income/ (expenses) refer, mainly, to the following:

(a) Rental of properties with average period of 12 months, mostly renewable for an additional period of 12 months, with monthly settlement. The rent price and adjustment policy are defined in accordance with real estate market practice in the area where the property is located;

(b) Expenses for the shared use of operating systems and supporting administrative structure, whose costs are apportioned among the SulAmérica Seguros companies, settled on a monthly basis;

(c) Income of subsidiary Sul América Investimentos Distribuidora de Títulos e Valores Mobiliários S.A. arising from asset Management, with a 0.17% Management fee on the net equity of the portfolio and a 20% performance fee on the surplus to benchmark, paid monthly and semiannually, respectively;

(d) Income from loan agreement amounting to R$13,198, settled in April 27, 2007;

(e) Provision estimated by the Parent Company's Management to cover possible losses arising from the partnership agreement entered into between SulAmérica Seguros and Banco do Brasil in June 1997 that involves the values of assets used for paying up the capital of Brasilveículos Companhia de Seguros.

(13) LOANS AND FINANCING

Composed of:

							Parent Company
					2007		**2006**
Institution	**Principal**	**Interest**	**Maturity**	**Current**	**Non-Current**	**Current**	**Non-Current**
Senior Notes Holders **(2)**	US$ 200,000,000	8.625% p.a	02/15/2012	7,502	230,269	-	-
União de Bancos Brasileiros S.A. **(*)** *Swap*		Exchange rate variation of US$ +	02/14/2012	-	31,799	-	-

		44.75% of CDI per annum					
Total				**7,502**	**262,068**	**-**	**-**

						Consolidated	
				2007		2006	
Institution	**Principal**	**Interest**	**Maturity**	**Current**	**Non-Current**	**Current**	**Non-Current**
União de Bancos Brasileiros S.A. **(1)**	R$ 75,000	100% of CDI + interest. **(4)**	09/19/2009	-	-	17,679	60,000
União de Bancos Brasileiros S.A. **(1)**	R$ 75,000	100% of CDI + interest. **(4)**	09/19/2009	-	-	17,679	60,000
União de Bancos Brasileiros S.A. **(1)**	R$ 50,000	100% of CDI + interest. **(4)**	09/19/2009	-	-	11,785	40,000
Banco Bradesco S.A.	R$ 80,000	116% of CDI	03/19/2007	-	-	691	-
Banco Real ABN Amro S.A. **(3)**	R$ 110,000	IGPM + 12,55% per annum	06/22/2007	-	-	120,047	-
Senior Notes Holders **(2)**	US$ 200,000,000	8,625% per annum	02/15/2012	7,502	230,269	-	-
União de Bancos Brasileiros S.A. **(*)** *Swap*		Exchange rate variation of US$ + 44.75% of CDI per annum	02/14/2012	-	31,799	-	-
Banco de Investimentos Credit Suisse (Brasil) S.A.	R$ 50,000	120% of CDI	06/22/2007	-	-	54,260	-
Swap		Exchange rate variation of US$ + 12% per annum	06/22/2007	-	-	(3,669)	-
Banco de Investimentos Credit Suisse (Brasil) S.A.	R$ 100,000	115% of CDI	03/27/2007	-	-	100,113	-
Banco Santander S.A. **(3)**	R$ 15,250	100% of CDI + 0.96% per annum	04/16/2007	-	-	10,754	-
Banco Santander S.A.	R$ 20,000	100% of CDI + 1.94% per annum	06/26/2007	-	-	21,572	-
Banco Santander S.A. **(1)**	R$ 55,826	100% of CDI + 1.40 % per annum	12/14/2007	-	-	56,040	-
Total				**7,502**	**262,068**	**406,951**	**160,000**

In February 2007, the parent company issued Senior Notes, with guaranteed by Saepar Serviços e Participações S.A., in the amount of US$200,000,000, at the rate of 8.625% p.a., in accordance with the terms and conditions contained in the respective “Offering Circular”. These bonds mature within five years from the date of their issuance and are guaranteed by the subsidiary Saepar Serviços e Participações S.A. The funds resulting from the issuance, approximately R$406,000, were used mainly as follows: **(i)** amortization of certains loans and short-term credit lines existing at December 31, 2006; and **(ii)** payment of taxes and other expenses related to the issuance.

(*) On May 30, 2007, the parent company entered into swap transactions, in which the index of the respective contract was replaced with that mentioned in the above table.

(1) On October 9, 2007, the balances were settled in advance with the proceeds from the Public Offering of the parent company's Units, as mentioned in Note (17.1.1).

(2) On November 26, 2007, as provided for in the agreement, the amount of US$71,727,395.83 (R$128,758) was settled in advance, corresponding to 35% of the total Senior Notes. In addition, the same percentage was reverted from the derivative contract of swap established for hedging the Senior Notes.

(3) Paid before maturity.

(4) 2.75% p.a. until April 2, 2007 and 2.40% p.a. after April 3, 2007.

(14) COMMITMENTS AND ENCUMBRANCES

(14.1) ENCUMBERED PROPERTIES

Certain subsidiaries, which operate in the insurance business, record as property and equipment certain properties that were pledged as collateral due to court decisions in connection with civil lawsuits related to claims. The book value of these properties, net of depreciation, was R$2,908 as of December 31, 2007, (R$3,119 in 2006).

(14.2) GUARANTEE OF TECHNICAL RESERVES

Certain subsidiaries have assets linked to SUSEP and ANS pledged as collateral for guarantee of technical reserves, which are listed in Note (11).

(14.3) FUTURE HEADQUARTERS OF THE SULAMÉRICA SEGUROS GROUP

On December 17, 2007, the indirect subsidiary Sul América Companhia Nacional de Seguros entered into an agreement to rent the real estate of its new headquarters in Rio de Janeiro, which is under construction and is expected to be completely built on April 17, 2009. For the rental period of 10 years from April 18, 2009, which can be extended to an additional 60-month period, the indirect subsidiary agreed to pay 10 annual installments of R$13,712, annually adjusted or after the shortest period provided for by law, by the accumulated IGP-M variation, released by Fundação Getúlio Vargas from April 17, 2010. This rental agreement contains restrictive covenants on the unilateral termination of the agreement by the indirect subsidiary, the tenant. The voluntary and unilateral termination by the indirect subsidiary shall incur in the payment of an indemnification to the landlord, under the conditions provided for in the agreement.

(15) JUDICIAL DEPOSITS AND ACCRUED LIABILITIES FOR CONTINGENCIES

Accrued liabilities for contingencies and taxes and contributions liabilities are comprised as follows:

			Company
			2007
	Judicial deposits	**Accrued liabilities for contingencies**	**Taxes and contributions liabilities**
Tax:			
Income tax	431	-	417
Other	9	-	34
Total	**440**	**-**	**451**
Non-current		**-**	

	440		**451**
			2006
	Judicial deposits	**Accrued liabilities for contingencies**	**Taxes and contributions liabilities**
Tax:			
Income tax	307	-	377
Other	9	-	24
Total	**316**	**-**	**401**
Non-current			
			Consolidated
			2007
	Judicial deposits	**Accrued liabilities for contingencies**	**Taxes and contributions liabilities**
Tax:			
COFINS (tax on revenue)	440,472	-	324,542
PIS (tax on revenue)	220,716	-	218,150
INSS (social security)	428,685	73,098	1,171
Social contribution	68,559	-	63,899
Income tax	57,511	-	54,493
Other	55,544	25,393	50,044
Labor and civil:			
Labor lawsuits	40,768	36,403	-
Civil lawsuits	106,948	343,095	-
DPVAT	4,692	4,648	-
Other	-	4,032	-
Total	**1,423,895**	**486,669**	**712,299**
Current	**-**	**69,702**	**-**
Non-current	**1,423,895**	**416,967**	**712,299**
			2006
	Judicial deposits	**Accrued liabilities for contingencies**	**Taxes and contributions liabilities**
Tax:			
COFINS (tax on revenue)	629,136	481	528,176
PIS (tax on revenue)	213,367	56	254,410
INSS (social security)	386,394	52,734	-
Social contribution	74,173	-	68,190
Income tax	42,828	-	43,317
Other	39,852	24,728	26,688
Labor and civil:			
Labor lawsuits	46,876	42,979	-
Civil lawsuits	103,474	295,554	-
DPVAT	2,887	2,931	-
Total	**1,538,987**	**419,463**	**920,781**
Current	**-**	**53,342**	**-**

Non-current	**1,538,987**	**366,121**	**920,781**

Certain subsidiaries, which operate in the insurance business, prepared a specific actuarial study to estimate the average term of the unsettled claims and other contingencies being disputed in court (of accrued liabilities for contingencies). Supported by this study, the companies reclassified its liabilities with less than 12 months term to current liabilities, under Accrued Liabilities for Contingencies in the total amount of R$69,702 as of December 31, 2007 (R$53,342 in 2006).

(15.1) CIVIL, LABOR, TAX AND DPVAT LAWSUITS

Following are the parent company and its direct and indirect subsidiaries' lawsuits by nature, likelihood of loss, and estimated and accrued amounts:

			Company
Tax			**2007**
	Quantity	**Estimate**	**Accrued liabilities for contingencies and taxes and contributions liabilities**
Probable	1	417	417
Possible	1	34	34
Remote	1	29	-
Total	**3**	**480**	**451**
Tax			**2006**
	Quantity	**Estimate**	**Accrued liabilities for contingencies and taxes and contributions liabilities**
Probable	1	377	377
Possible	2	43	24
Remote	1	27	-
Total	**4**	**447**	**401**
			Consolidated
I - Civil and DPVAT			**2007**
	Quantity	**Estimate**	**Accrued liabilities for contingencies**
Probable	13,719	202,963	163,332
Possible	12,920	360,084	164,125
Remote	2,241	105,437	20,286
Total	**28,880**	**668,484**	**347,743**

II - Labor			
	Quantity	Estimate	Accrued liabilities for contingencies
Probable	334	21,266	9,850
Possible	769	90,449	25,471
Remote	135	129,380	1,082
Total	**1,238**	**241,095**	**36,403**
III - Tax			
	Quantity	**Estimate**	**Accrued liabilities for contingencies and taxes and contributions liabilities**
Probable	268	340,097	340,097
Possible	122	562,109	448,404
Remote	84	574,115	22,289
Total	**474**	**1,476,321**	**810,790**
I - Civil and DPVAT			**2006**
	Quantity	**Estimate**	**Accrued liabilities for contingencies**
Probable	5,665	145,615	132,186
Possible	11,388	276,409	148,004
Remote	2,039	81,741	18,295
Total	**19,092**	**503,765**	**298,485**
II - Labor			
	Quantity	**Estimate**	**Accrued liabilities for contingencies**
Probable	392	29,997	14,997
Possible	735	57,315	23,528
Remote	154	119,020	4,454
Total	**1,281**	**206,332**	**42,979**
III - Tax			
	Quantity	**Estimate**	**Accrued liabilities for contingencies and taxes and contributions liabilities**
Probable	172	574,945	574,945
Possible	135	534,732	362,135
Remote	83	591,637	61,700
Total	**390**	**1,701,314**	**998,780**

(15.2) ROLL FORWARD OF PROVISIONS FOR RELEVANT CONTINGENCIES

					Consolidated
	Balances as of December 31, 2006	**Additions**	**Monetary Varation and interest**	**Write-offs**	**Balances as of December 31, 2007**
Civil	**295,554**	88,490	12,853	(53,802)	**343,095**
Tax:					
PIS	**254,466**	29,728	9,621	(75,665)	**218,150**
COFINS	**528,657**	45,178	39,567	(288,860)	**324,542**
Other	**162,923**	39,753	7,287	(16,134)	**193,829**
Social Securities					
INSS	**52,734**	24,092	361	(2,918)	**74,269**

(15.3) TAX LAWSUITS

COFINS - Since 1999, the COFINS is due by Brazilian insurance companies, private pension companies and other financial institutions at the rate of 3%. Since then, the subsidiaries Sul América Companhia Nacional de Seguros, Sul América Seguros de Vida e Previdência S.A., Sul América Companhia de Seguros Gerais (new social denomination of Gerling Sul América S.A. – Seguros Industriais, pending approval from SUSEP), Sul América Santa Cruz Participações S.A. and Sul América Saúde S.A. started to challenge in court the constitutionality of the law that established the payment of this contribution. In December 2006, a partially favorable decision (except for Sul América Seguro Saúde S.A., which decision is pending) was published, rendered by the Federal Supreme Court (STF), accepting the extraordinary appeal filed by the plaintiffs to disregard the expansion of the tax basis on other revenues, although deciding for the constitutionality of the contribution's collection. These subsidiaries have, since then, been paying COFINS on revenues from their insurance and private pension activities, and based on the STF final and unappeallable decision awarded on February 12, 2007, made the reversal of the related accrued amounts. On July 27, 2007, the judicial deposits for the portion of the COFINS on revenues from insurance and private pension activities of the subsidiaries, in the total amount of R$276,225, were converted into Federal Government income, and the corresponding accruals were written-off. At present, these subsidiaries are awaiting authorization to carry out a survey on the portion of judicial deposits made for other revenues.
The subsidiary Sul América Seguro Saúde S.A. has paid COFINS on its revenue, accruing for other revenues. The lawyers handling the Sul América Seguro Saúde S.A. lawsuit believe that loss is probable in relation to the revenue from insurance activities and remote in relation to other revenues.
With the enactment of Law No. 10,684, of May 30, 2003, the insurance and private pension subsidiaries started to challenge in court the constitutionality of the increase in

the COFINS rate to 4%, accruing and making a judicial deposit for the difference of 1% on gross revenue. With the STF's decision to disregard the expansion of the tax basis to other revenue, these subsidiaries stopped to deposit and accrue COFINS on other revenues, reverting $12,982 of the amount deposited in relation to the tax basis expansion as contra entry to income for the year under the heading Tax Expenses. Sul América Companhia de Seguro Saúde continues to deposit and accrue COFINS on its gross revenue and only Sul América Seguro Saúde S.A. continues to accrue such contribution on other revenues. The lawyers handling these cases believe that loss is probable in relation to the increase of 1% in the rate levied on insurance and private pension revenues.

The lawsuits related to COFINS have been accrued according to the Management's expectation of loss.

PIS - The insurance and private pension subsidiaries are questioning and have made judicial deposits for the PIS contribution, established by Constitutional Amendments No. 1/1994, 10/1996 and 17/1997, levied at the rate of 0.75% on gross revenue. The lawyers handling these cases believe that loss is possible.

In addition, beginning February 1999, with the enactment of Laws No. 9,701/1998 and No. 9,718/98, the PIS tax basis was expanded due to the new concept of gross revenue, and its rate was lowered from 0.75% to 0.65%. The insurance and private pension subsidiaries have been accruing and questioning the constitutionality of the expansion of the PIS tax basis and obtained an injunction without requirement of judicial deposits (except for subsidiary Sul América Seguro Saúde S.A. that has been making judicial deposits) and have been paying the tax pursuant to Complementary Law No. 7/1970. On March 1, 2007, a partially favorable court decision by the Federal Regional Court of the 2nd Region was published, determining the subsidiaries Sul América Companhia Nacional de Seguros, Sul América Santa Cruz Participações S.A., Sul América Seguros de Vida e Previdência S.A. and Sul América Companhia de Seguros Gerais (social denomination of Gerling Sul América S.A. – Seguros Industriais, pending approval from SUSEP) to pay PIS based on revenues from the sale of goods and/or services, disregarding the expansion of the tax basis to other revenues. As a result, these companies paid R$52,231 in March 2007 of PIS on revenues from insurance and private pension activities for the period from 1999 to 2006. From January 2007, these subsidiaries started to pay PIS on revenues from insurance and private pension activities, while they continue to fully accrue the amounts questioned on other revenues. On June 27, 2007, the decision rendered on March 1, 2007 was considered final and unappeallable, and, accordingly, the subsidiaries reversed the liability recognized on other revenues amounting to R$22,978. Sul América Seguro Saúde S.A. started to pay from January 2007 the PIS on its revenue, depositing and accruing amounts on other revenues. Sul América Companhia de Seguro Saúde S.A. is still not required to pay this contribution, supported by an injunction, however, it still accrues the contribution on its revenue. The lawyers handling these cases believe that loss is probable for the case related to the PIS on revenues from insurance and private pension activities, and remote for the expansion of the tax basis to other revenues.

The lawsuits related to PIS have been accrued according to the Management's expectation of loss.

INSS - The insurance and private pension subsidiaries are also questioning and making judicial deposits for the social security contributions on compensation paid to medical service providers and insurance brokers established by Complementary Law No. 84/1996, regulated by Law 9,876/1999, at the rate of 20%, plus 2.5% based on the understanding that medical and insurance brokerage services are not provided to insurance companies but to policyholders. Therefore, the Companies are not subject to the contribution provided for in item III, article 22 of Law No. 8,212/1991. The contingent liability related to insurance brokers was supplemented by R$20,363 for the year. The lawyers handling these cases consider that loss is remote for the case related to social security contribution on compensation of medical service providers whereas loss is possible to the case related to insurance brokers.

In 2005, the indirect subsidiary Sul América Serviços Médicos S.A. was assessed (tax notice of debt assessment) by the National Institute of Social Security (INSS) in the amount of R$49,680 based on the alleged failure to collect social security contribution on amounts paid to medical service providers related to the period from May 1996 to December 1998. Sul América Serviços Médicos S.A. challenged said tax deficiency notice and has already presented its defense. This discussion is still at the administrative level and the lawyers handling this proceeding consider that loss is remote. Accordingly, the subsidiary's Management has not recognized accrued liabilities for contingencies related to said challenge.

In May 2006, Sul América Serviços Médicos S.A. obtained a favorable final and unappealable decision rendered by the Superior Court of Justice on the lawsuit for offsetting credits from social security contribution payments, required by item I, article 22 of Law No. 8,212/1991, on compensations paid or credited to executives and independent contractors in the amount of R$14,692. In October of that same year, Sul América Serviços Médicos S.A. obtained another favorable decision to offset credits from social security contribution payments, required by item I, article 3 of Law No. 7,787/1989, on the compensation of executives and independent contractors, as provided for by Complementary Law No. 84/1996 in the amount of R$33,574. As a result of the favorable decisions mentioned above, the total credits available for offset amounting to R$48,266 were recorded under Recoverable Taxes and Contributions. As of December 31, 2007, the balance of said credits, net of offsets, is R$42,469 (R$46,052 in 2006), of which R$5,027 (R$5,237 in 2006) is recorded in current assets and R$37,442 (R$40,815 in 2006) is recorded in non-current assets.

The lawsuits related to INSS have been accrued according to the Management's expectation of loss.

(16) TAXES AND CONTRIBUTIONS PAYABLE (NON-CURRENT)

Composed of:

	Parent company	
	2007	**2006**
Accrued liabilities for associated companies – Brasilveículos Companhia de Seguros – **Note (12)**	5,000	5,000
Taxes and contributions liabilities - **Note (15)**	451	401
PAES – Special Plan for Tax Payment in Installments - **(a)**	795	837
Total	**6,246**	**6,238**

	Consolidated	
	2007	**2006**
Taxes and contributions liabilities - **Note (15)**	712,299	920,781
PAES – Special Plan for Tax Payment in Installments - **(a)**	165,282	189,875
Total	**877,581**	**1,110,656**

(a) PAES – SPECIAL PLAN FOR TAX PAYMENT IN INSTALLMENTS

Law No. 10,684, of May 31, 2003, established the Special Plan for Tax Payment in Installments (PAES) whose purpose was the regularization of credits of the Federal Government arising from legal entities' debts related to taxes and contributions administered by the Federal Revenue Service, the National Treasury Attorney General and the National Social Security Institute (INSS).
On July 31, 2003, the parent company and its subsidiaries - Sul América Companhia Nacional de Seguros, Sul América Seguro Saúde S.A., Sul América Companhia de Seguro Saúde, Sul América Investimentos e Participações S.A., Sul América Santa Cruz Participações S.A., Sul América Serviços Médicos S.A., Sul América Companhia de Seguros Gerais e Executivos S.A. - Administração e Promoção de Seguros joined PAES in order to pay amounts related to COFINS, income tax, social contribution, Finsocial (contribution on revenue), CPMF (contribution on banking transactions) and INSS (social security contribution) in installments, which were at the administrative or judicial levels. The total amount of the obligations included in PAES was R$253,353 (net of the 50.00% fine reduction).
The program requires payments of said taxes in up to 180 equal and monthly installments, according to the amount and periods provided for in the prevailing legislation, with the final payment due by June 30, 2018, according to the number of months selected, monetarily adjusted according to the Long-Term Interest Rate (TJLP).
As of December 31, 2007, the parent company's and consolidated current liabilities are recorded under Taxes and Contributions Payable in the amounts of R$83 (R$79 in 2006) and R$33,752 (R$32,199 in 2006), respectively; whereas the parent company's and consolidated non-current liabilities are recorded under Taxes and Contributions Payable in the amounts of R$795 (R$837 in 2006) and R$165,282 (R$189,875 in 2006), respectively.
Up to December 31, 2007, the amount of R$328 was paid by the parent company and R$132,520 by its subsidiaries, corresponding to 54 installments.

(17) SHAREHOLDERS' EQUITY

(17.1) CAPITAL – PARENT COMPANY

As of December 31, 2007 , fully paid-up capital is represented by 155,371,196 registered common shares and 125,924,735 registered preferred shares, without par value (the fully paid-in capital was represented by 4,128,934,823 registered common shares and 8,256,731,384 registered preferred shares, without par value, and 6 registered common shares and 26 registered preferred shares held in treasury in 2006). In accordance with the parent company's bylaws, shareholders are entitled to mandatory minimum dividends equivalent to 25% of annual net income, adjusted pursuant to current legislation.
At the Extraordinary Shareholders' Meeting held on June 29, 2007, shareholders approved the right of holders of preferred shares to convert them into common shares, as well as the right of holders of common shares to convert them into preferred shares, on a one-to-one basis, such right being exercisable for 30 days as from the date the minutes of such meeting is published. At a special meeting held on this same date, the holders of preferred shares approved the end of the advantages granted by their shares to receive dividends 10% above those paid to each common share.
At the Extraordinary Shareholders' Meeting held on September 6, 2007, the shareholders approved the following amendments to the parent company's bylaws: (i) the new capital stock composition after the reverse split of shares, cancellation of remaining share fractions, and cancellation of shares issued by the parent company and held in treasury: 206,295,931 shares, of which 130,371,196 are common shares and 75,924,735 are preferred shares; (ii) change in the limit of authorized capital to

150,000,000 new common or preferred shares; and (iii) the Company's adherence to the Level 2 of Differentiated Corporate Governance Practices of BOVESPA.
At the Extraordinary Shareholders' Meeting held on September 24, 2007, the shareholders approved the capitalization of R$8,309 from retained earnings and R$462,424 from sale of treasury stock reserve, without issuance of new shares, increasing the capital to R$765,831.

(17.1.1) INITIAL PUBLIC OFERING – PARENT COMPANY

The parent company obtained from the Brazilian Securities Commission (CVM) its registration as public company on October 3, 2007, and the registration of the public offering of 21,739,132 units (certificates of stock, each representing one common share and two preferred shares) on October 4, 2007. These units started to be traded at the São Paulo Stock Exchange (BOVESPA) on October 5, 2007 under the trading symbol "SULA11" and were listed in the Level 2 of Differentiated Corporate Governance Practices.

The offering was approved by the Company's Board of Directors at a meeting held on August 3, 2007, whereas the offering price of common and preferred shares, and, consequently, the price of R$31.00 (thirty one reais) per unit was approved at another meeting held on October 3, 2007.

The settlement date of the offering was on October 9, 2007, and the proceeds risen amounted to R$673,913, of which R$365,217 was contributed to capital and R$308,696 was allocated to capital reserve. The net proceeds, after the payment of commissions to the offering underwriters and other incurred expenses, totaled R$640,717 and they were mainly used to amortize and/or settle loans and financing and increase the balance of financial investments.

At a meeting held on November 6, 2007, the Board of Directors approved an increase in capital amounting to R$54,783 upon the issuance of 3,260,868 registered common shares and 6,521,736 registered preferred shares, without par value, represented by 3,260,868 certificates of stock (units) without entitling to the Company's shareholders priority rights in the exercise of subscription or acquisition option of Units, granted by the Company to Banco UBS Pactual S.A., as provided for by Article 24, heading, of the CVM Instruction No. 400/03, taking into consideration that the unit issue price of units is R$31.00 (thirty one reais), according to the provision of Article 170, paragraph 1, item 3, of Law No. 6,404/76 and Article 44 of CVM Instruction No. 400/03, under the same condition and unit price of units that were initially offered. The exercise of the over allotment option raised the offering amount by R$101,087, of which R$54,783 was allocated to capital stock and R$46,304 was allocated to the capital reserve in the subscription of shares.

(17.2) AUTHORIZED CAPITAL – PARENT COMPANY

The Company's capital can reach up to 150,000,000 of new common and/or preferred shares upon resolution of its Board of Directors that will define the type and class of shares to be issued, the issue price and placement conditions.

(17.3) MINIMUM AND ADDITIONAL CAPITAL

In relation to direct and indirect insurance subsidiaries, on December 26, 2006, the CNSP issued Resolutions No. 155, revoked by Resolution No.178 of December 17, 2007, and No. 158, amended by Circular No.355 of December 14, 2007, which set

forth the new rule for minimum capital required for authorization and operation of insurance companies and which will become effective on January 1, 2008. The minimum capital requirement will be the sum of the base capital and additional capital, the latter being variable according subscription risks. The additional capital shall be calculated through factors determined by SUSEP Circular 355. The minimum capital requirement, as established by Resolution No. 178, shall be paid up over a maximum term of four years, according to the following schedule: 15% within one year, 40% within two years, 70% within three years and 100% within four years.
As of December 31, 2007, the indirect insurance subsidiaries, except the health insurance ones, that are not subject to SUSEP's regulation, had an internal model, approved by Management, for subscription risks, developed from mathematical simulation models, including analysis of sensitivity to the macroeconomic factor. As provided for in the aforementioned Resolution, the indirect insurance subsidiaries calculated the additional capital using factors of Attachments I, II and III, and the formula of Attachment VI of SUSEP Circular No. 355. As of December 31, 2007, the requirement that the Adjusted Shareholders' Equity be above the Minimum Capital Requirement was complied with by the indirect subsidiaries, not being necessary to send to SUSEP an Adjustment Plan or Solvency Recovery Plan provided for in Resolutions 156 and 157 of December 26, 2006.

(17.4) PROFIT SHARING

In December 31, 2006 the parent company profit sharing is composed of:

	2007	2006
Net income	**312,023**	**155,231**
Revaluation reserve realized	7	-
Net income after revaluation reserve realized	**312,030**	**155,2310**
Legal reserve constitution	(15,602)	(7,761)
Net income adjustment (article 202 - Laws 6,404/76 and 10,303/01)	**296,428**	**147,470**
Mandatory dividends **(a)**	74,107	39,325
Net income **(b)**	312,023	155,231
Net income unrealized **(c)**	(420,965)	(155,231)
Net income realized/ (unrealized) **d = (b) - (c)**	**(108,942)**	**-**
Unrealized profit reserve constitution	**74,107**	**39,325**
Realized profit reserve	62,013	19,890
Realized profit reserve dividends	62,013	19,890
		-
		-
Destination:		
Reserve for business expansion	222,321	108,145
Suplementary reserve constitution	-	8,309

The distribution of earnings shown in the table above was reflected in the financial statement, assuming that it will be approved at the Annual Shareholders' Meeting.

(18) BREAKDOWN OF CERTAIN STATEMENT OF OPERATION ACCOUNTS

(18.1) MAIN BUSINESS LINES

As of December 31, 2007, earned premiums, claims ratio and commissions ratio for the main insurance lines, related to insurance activities of direct and indirect subsidiaries, are as follows:

						Consolidated
			2007			2006
	Earned premiums	**Claims ratio**	**Commissions ratio**	**Earned premiums**	**Claims ratio**	**Commissions ratio**
Group health	2,323,135	72.3%	7.5%	2,055,560	74.4%	7.7%
Automobile	2,000,500	60.1%	19.1%	1,976,092	60.6%	18.4%
Individual health **(*)**	1,562,487	74.6%	0.5%	1,392,615	85.6%	0.6%
Group life	193,408	77.7%	16.8%	242,887	76.6%	19.1%
Transportation	111,059	57.4%	19.7%	93,592	49.2%	16.3%

(*) On December 20, 2004, the subsidiary Sul América Companhia de Seguro Saúde entered into Commitment Letter No. 002/2004 with the National Supplementary Health Plan Agency (ANS), with the participation of the Secretariat of Economic Rights of the Ministry of Justice, which established, among others, the premium adjustment methodology and commitment, so as to recover the financial and economic balance of the portfolio of individual health insurance contracts issued by January 1, 1999 and not adapted to Law No. 9,656/98. In compliance with said Commitment Letter, the ANS authorized, on June 16, 2005, a 26.10% adjustment to the premium of said contracts beginning July 1, 2005. However, this adjustment was questioned in court by third parties.

In one of these lawsuits, the preliminary injunction granted by the Federal Court of Appeals of the 5th Region, which imposed to subsidiary Sul América Companhia de Seguro Saúde the compliance with the adjustment index different from the one authorized by the ANS, was revoked by the President of the Superior Court of Justice on October 5, 2005. This decision was further submitted to the Special Court of that court and, on December 19, 2005, it supported the Court President's decision by 13 votes to 1. On May 31, 2007, a final and unappealable decision was rendered on the public civil action filed by the Public Attorney's Office of the State of São Paulo (MPE-SP) which confirmed the ANS authority for setting adjustment indexes to individual plans acquired before January 1, 1999, thus authorizing the full application of adjustment indexes from the calculation provided for in such Commitment Letter. The subsidiary Sul América Companhia de Seguro Saúde and the MPE-SP entered into an agreement (approved in such public civil action) providing for the performance of the decision. Consequently, the outstanding premium balance payable by the State of São Paulo insureds who are active at the collection date, amounting to R$138,440, started to be recorded in 2007 under Insurance Premiums, as a contra entry to Premiums Receivable in current assets and Accounts Receivable in non-current assets. In the last quarter of 2007, some of the insureds decided to settle in advance the amounts owed with a discount of 50.00% given by the Company, resulting in the receipt of R$32,677, net of the financial discount of R$32,677, recorded under Financial Expenses. The remaining balance of R$65,394, net of the cancellation from insureds that chose to

terminate their plans offered by the Company in the amount of R$7,692, will be charged from February 2008, in case the insured chooses one of the advance settlement options with discount to be given in January 2008, or in up to 12 monthly and equal installments from April 2008**.** In order to cover the expected default in connection with installment premiums and the expenses to be incurred in the collection of such premiums, in addition to other collection expenses from retroactive premiums, an accrual at 40% of total amount R$55,376, which effect is recorded under Other Operating Expenses that amounted to R$26,157 as of December 31,2007.
This decision may have an impact on other three preliminary injunctions in the State Courts of Rio de Janeiro and Bahia so that they may also be amended, resulting in the acknowledgement of the regulatory power of the ANS and in the confirmation that said adjustment of 26.10% is legal.

(18.2) ACQUISITION COSTS – INSURANCE

Composed of:

		Consolidated
Commisions:	**2007**	**2006**
On premiums	(795,383)	(795,395)
On premiums cancelled and refunded	90,148	102,686
On premiums ceded	13,721	10,001
Other acquisition costs	(3,150)	(2,725)
Change in deffered acquisition costs	6,819	12,187
Total	**(687,845)**	**(673,246)**

(18.3) ACQUISITION COSTS – PRIVATE PENSION

Composed of:

		Consolidated
Commissions:	**2007**	**2006**
Brokerage fees	(2,254)	(2,607)
Selling fees	(1,017)	(804)
Technical service fees	(8)	(16)
Total	**(3,279)**	**(3,427)**

(18.4) ADMINISTRATIVE EXPENSES

Composed of:

		Parent Company
	2007	**2006**
Personal expenses **(a)**	(1,908)	2,000
Third-party services **(b)**	(42,682)	(381)
Location and operation	(382)	(145)
Other	(319)	(35)

Total	**(45,291)**	**1,439**

		Consolidated
	2007	**2006**
Personal expenses **(a)**	(410,001)	(379,213)
Third-party services **(b)**	(192,964)	(144,373)
Location and operation	(169,572)	(172,751)
Advertising and publicity	(50,869)	(34,256)
DPVAT's Administrative Expenses	(10,851)	(11,368)
Other	(24,382)	(21,931)
Total	**(858,639)**	**(763,892)**

(a) In 2007, the parent company's and consolidated personnel expenses include Management compensation in the amount of R$1,742 (R$1,342 in 2006) and R$38,593 (R$44,632 in 2006), respectively.

(b) In 2007, the parent company's and consolidated third-party services include R$40,653 and R$41,228 for commissions attorney and audit fees in connection with the public offering of units, as described in Note (17.1.1).

(18.5) OTHER INSURANCE OPERATING INCOME

Composed of:

		Consolidado
	2007	**2006**
Insurance policy cost recivery	102,995	98,421
Income of habitational finance system administration (SFH) **(a)**	10,812	72
Other income from insurance operations	14,894	42,644
Total	**128,701**	**141,137**

(a) In 2007, the indirect insurance subsidiaries restarted their homeowners insurance operations.

(18.6) OTHER INSURANCE OPERATING EXPENSES

Composed of:

		Consolidated
	2007	**2006**
Insurance operation expenses	(54,207)	(73,703)
Collection expenses	(10,009)	(10,447)
Insurance management	(13,640)	(14,287)

fee		
Technical services	(20,789)	(14,483)
Recognition/reversal os allowance for doubtful accounts **(a)**	(52,537)	(18,416)
Directors' fees	(43,709)	(45,170)
Recognition/reversal of civil contingencies and other insurance operations	(79,972)	(49,008)
Total	**(274,863)**	**(225,514)**

(a) In 2007, the change in recognition of allowance for doubtful accounts refers to the provision recorded to cover possible expenses arising from expected delinquency and other arising from the collection of retroactive premiums of individual health, as mentioned in Note (18.1), amounting to R$26,157.

(18.7) FINANCIAL INCOME

Composed of:

		Parent company
	2007	**2006**
Income from exclusive investments funds **(a)**	17,539	-
Fixed income securities - government	26	60
Interest and monetary variation on judicial deposits	37	55
Monetary and exchange variation on commitments receivable	118,272	266
Interest on shareholders' equity	50,863	10,285
Other	29	222
Total	**186,766**	**10,888**

		Consolidated
	2007	**2006**
Income from exclusive investments funds **(b)**	437,388	353,831
Fixed income securities - private	35,276	24,753
Fixed income securities - government **(c)**	141,801	84,152
Equity securities **(d)**	32,138	5,145
Insurance operations, mainly interest	94,888	115,825
Interest and monetary variation on judicial	84,772	251,256

deposits		
Monetary and exchange variation on commitments receivable	128,284	111,020
Other	59,424	75,798
Total	**1,013,971**	**1,021,780**

(a) In 2007, Income from investment funds and Monetary and Exchange Variation on Securities, Loans and Financing and Swaps of the parent company include the acquisition of Senior Notes and Swap, according to Note (13).

(b) In 2007, Income from investments funds includes a gain of R$80,549 by certain subsidiaries from the sale of fixed income securities – government sold that were previously classified as held-to-maturity securities and were held by exclusive investments funds. Such securities were sold and new securities were acquired and classified as held-to-maturity securities and trading securities by certain subsidiaries which operate in the insurance business.

(c) In 2007, the change in Fixed-income securities – government mainly refers to investments in national treasury bills, according to Note (4.2.3).

(d) In 2007, Equity securities includes the gain of R$31,096 from the sale of shares, recorded under exclusive investment funds in the amount of R$85,867.

(e) In 2006, the variation observed in the caption "Interest and monetary variation on judicial deposits" - consolidated refers mainly to the adjustment to align the monetary variation on judicial deposits related to tax adjusted by SELIC amounting to R$163,862.

(18.8) FINANCIAL EXPENSES

Composed of:

	2007	**2006**
Devaluation of investment fund quotas **(a) (b)**	(33,844)	-
CPMF (contribution on banking transactions)	(4,074)	(49)
Monetary variation and interest on loans, swaps	(148,861)	-
Interest and monetary variation on taxes and contributions liabilities	(37)	(55)
Other	(7,116)	(87)
Total	**(193,932)**	**(191)**

		Consolidated
	2007	**2006**
Income operations (a)	(76,305)	(50,311)
Fixed income securities	(33,946)	(7,496)
CPMF (contribution on banking	(46,555)	(41,883)

transactions)		
Monetary variation and interest reserve for claims and claims adjustment expenses, taxes and contributions liabilities and accrued liabilities for contingencies(c)	(86,474)	(243,105)
Monetary variation on technical reserve - private pension operations **(d)**	(155,092)	(124,540)
Monetary variation and interest on loans	(186,496)	(186,326)
Interest in arrears	(12,918)	(16,019)
Other	(15,681)	(36,568)
Total	**(613,467)**	**(706,248)**

(a) In 2007, Devaluation of investments funds includes the amount of R$15,734 arising from the negative exchange variation of the parent company's fund in May.

(b) In 2007, Income from investment funds and Monetary and Exchange Variation on Securities, Loans and Financing and Swaps of the parent company include the acquisition of Senior Notes and Swap, according to Note (13).

(c) In 2006, the variation observed in the caption "Interest and monetary variation on judicial deposits" - consolidated refers mainly to the adjustment to align the monetary variation on judicial deposits related to tax adjusted by SELIC amounting to R$163,862.

(d) In 2007, the change in Monetary variation on technical reserves – private pension operations mainly refers to the increase in the variation of IGP-M from 2% in 2006 to 7% in 2007.

(18.9) NON-OPERATING INCOME (EXPENSES)

Composed of:

		Parent company
	2007	**2006**
Capital (loss) gain	(618)	742
Other	-	(772)
Total	**(618)**	**(30)**

		Consolidated
	2007	**2006**
Gain (loss) on sale of assets - Permanent assets	1,177	1,400
Capital (loss) gain **(a)**	(49)	(43,881)
Other **(b)**	168	(19,079)
Total	**1,296**	**(61,560)**

(a) In 2006, Capital (loss) gain includes the amount of R$42,291 related to the realization of loss on the investment held by the subsidiary Brasilveículos Companhia de Seguros in Telemar Participações S.A., upon the payment of the capital of Alutrens Participações S.A.
(b) In 2006, Devaluation of investments funds includes the amount of R$15,736 arising from the negative exchange variation of the parent company's fund in May.

(19) RECONCILIATION OF INCOME TAX AND SOCIAL CONTRIBUTION

Income tax and social contribution calculated based on statutory rates, are reconciled to the amounts recorded in the statements of income, as follows:

		Parent Company		**Consolidated**
		December 31, 2007		**December 31, 2007**
	Income tax	**Social contribution**	**Income tax**	**Social contribution**
Income before provision for income tax, social contribution and profit sharing	**362,854**	**362,854**	**673,785**	**673,785**
Income tax and social contribution expenses at statutory rates 25% and 9%	(90,714)	(32,657)	(168,446)	(60,641)
Additions:				
Allowance for investment losses	-	-	(655)	-
Accrued liabilities for contingencies	-	-	(11,136)	(2,960)
Allowance for doubtful accounts	-	-	(4,803)	(2,103)
Non-deductible provisions	-	-	(1,504)	(289)
Non-deductible expenses	(7,954)	(2,862)	(14,757)	(4,778)
Goodwill amortization	(128)	-	(1,360)	-
Profit sharing	(40)	(14)	-	-
Other	(154)	-	(468)	(82)
Dedutions:				
Equity in subsidiaries	105,396	37,943	3,174	1,143
Reversal of alowance for investment losses	-	-	-	14
Reversal of doubtful accounts	-	-	543	-
Deferral of exchange variation	-	-	4,260	1,533
Current income tax and social contribution expenses				
	6,406	**2,410**	**(195,152)**	**(68,163)**
A - Recognition / reversal of tax credits and debts	**(6,372)**	**(2,412)**	**(2,928)**	**(3,287)**
B - Goodwill amortization -	**-**	**-**	**11,881**	**4,277**

tax benefit				
A + B = Total of tax credits and debts	**(6,372)**	**(2,412)**	**8,953**	**990**
Income tax and social contribution expenses recorded in the statements of operations	**34**	**(2)**	**(186,199)**	**(67,173)**
		Parent Company		**Consolidated**
		December 31, 2006		**December 31, 2006**
	Income	**Social**	**Income**	**Social**
	tax	**contribution**	**tax**	**contribution**
Income (losses) before provision for income tax / social contribution and profit sharing	**169,967**	**169,967**	**380,713**	**380,713**
Income tax and social contribution expenses at statutory rates 25% and 9%	(42,492)	(15,297)	(95,178)	(34,264)
Additions:				
Allowance for investment losses	-	-	(377)	(3)
Accrued liabilities for contingencies	-	-	(23,454)	(8,500)
Allowance for doubtful accounts	-	-	(5,116)	(1,854)
Non-deductible provisions	(779)	(282)	(1,159)	(376)
Non-deductible expenses	(22)	(8)	(6,306)	(1,779)
Charges on deferral exchange variation	-	-	(19,414)	(6,989)
Other	(128)	(3)	(2,973)	(829)
Dedutions:				
Equity in subsidiaries	39,840	14,343	271	97
Reversal of alowance for investment losses	22	8	3,734	1,332
Reversal of doubtful accounts	-	-	511	81
Charges on deferral exchange variation	-	-	13,689	4,928
Deferral of exchange variation	-	-	6,560	2,361
Other	977	280	6,220	2,660
Other	-	-	681	268
Current income tax and social contribution expenses				
	(2,582)	**(959)**	**(122,311)**	**(42,867)**
A - Recognition / reversal of tax credits and debts	**(662)**	**(248)**	**4,922**	**(30,497)**
B - Goodwill amortization - tax benefit	**-**	**-**	**17,353**	**6,247**

A + B = Total of tax credits and debts	**(662)**	**(248)**	**22,275**	**(24,250)**
Income tax and social contribution expenses recorded in the statements of operations	**(3,244)**	**(1,207)**	**(100,036)**	**(67,117)**

(20) POST-EMPLOYMENT BENEFITS

The Managements of certain direct and indirect subsidiaries identified the following post-employment benefits:

(a) Private Pension Benefits

The private pension benefits that used to be granted to employees, up to 60.00% of average compensation for the last 36 months, adjusted, in proportion to the number of years worked for the companies, limited to 35 years, net of the government pension benefit. The former plan was terminated and replaced in the second half of 2004 by a defined contribution private pension, through the Plan that Generates of Benefits (PGBL), purchased from Sul América Seguros de Vida e Previdência S.A.
Due to the aforementioned change, actuarial liabilities were totally reversed against actuarial assets, and only the actuarial credit remains, in the amount of R$30,370 as of December 31, 2007 related to past contributions from employees who are no longer employed in the companies, and will be used to cover future contributions;

(b) Single-Life Annuity

A benefit granted to a selected group of employees upon retirement, under which income benefits are paid for the life of the participant with no benefit payable to his/her dependents after the participant's death;

(c) Indemnity to Executives Program

A benefit offered to a selected group of employees upon retirement, which in 2003 underwent the following changes:

- The number of participants decreased, and this event was reflected in income as established by NPC No. 26, of the IBRACON, approved by CVM Resolution No. 371;
- The calculation and eligibility for indemnity were changed, starting to grant the following benefit:

  - Certain indirect subsidiaries granted to their executives a defined contribution private pension plan through PGBL, purchased from Sul América Seguros de Vida e Previdência S.A. Said benefit guarantees an individually calculated amount, in which past service provided to certain direct and indirect subsidiaries was recognized until the date the PGBL was implemented.

  - The amount of the past benefit, calculated on the plan's implementation date, will be adjusted through the retirement date according to the return on the investments of the PGBL.

(20.1) ACCOUNTING POLICY ADOPTED FOR RECOGNITION OF ACTUARIAL SURPLUS/DEFICIT

According to IBRACON Accounting Standard and Procedure (NPC) No. 26, certain companies elected to record the plan actuarial liabilities as of December 31, 2001 in income over a five-year period beginning January 1, 2002, and actuarial gains/losses are being amortized over the average remaining years of work estimated for employees participating in the plan. The recognized amount of actuarial gains or losses will correspond to the portion of gain or loss that exceeds the highest of 10% of the present value of the actuarial obligations and 10% of the fair value of the plan's assets, in accordance with iten 53 of said standard.

(20.2) RESULTS OF ACTUARIAL VALUATION

We describe below the assets (liabilities) and the total expenses recognized in the subsidiaries' financial statements, by benefit granted:

Reconciliation of assets/ (liabilities) to be recognized	**Single-life annuity**		**Indemnity to executives program**		**Total**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Present value of actuarial obligations, totally or partially funded	-	-	-	-	-	-
Fair value of assets	-	-	-	-	-	-
Present value of actuarial obligations, totally unfounded	(7,623)	(7,764)	(8,154)	(13,074)	(15,777)	(20,838)
Net value of (gains) losses not recognized in the balance sheet	3,078	2,990	(1,619)	(800)	1,459	2,190
Cost of past service not yet recognized in the balance sheet	-	-	2,301	2,953	2,301	2,953
Assets/(liabilities) to be recognized in the balance sheet	**(4,545)**	**(4,774)**	**(7,472)**	**(10,921)**	**(12,017)**	**(15,695)**

(a) In the year ended December 31, 2007, the amounts related to actuarial valuation expenses were recorded under Administrative Expenses.

	Single-life annuity		**Indemnity to executives program**		**Total**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Actuarial liabilities to be recorded/recorded at beginning of year – Accounts	**(4,545)**	**(4,774)**	**(7,472)**	**(10,921)**	**(12,017)**	**(15,695)**

payable						
Expenses to be recognized/recognized in the year: (*)						
Cost of interest	(861)	(879)	(542)	(926)	(1,403)	(1,805)
Amortization of cost of past service	(354)	(326)	78	-	(276)	(326)
Amortization of actuarial (gains) losses	-	-	(652)	(652)	(652)	(652)
Contributions made in the year	-	1,434	-	5,027	-	6,461
Actuarial liabilities to be recorded/recorded at end of year – Accounts payable	**(5,760)**	**(4,545)**	**(8,588)**	**(7,472)**	**(14,348)**	**(12,017)**

(a) In the year ended December 31, 2007, the amounts related to actuarial valuation expenses were recorded under Administrative Expenses.

(20.3) ACTUARIAL ASSUMPTIONS

Assumptions used for valuations prepared by the internal actuaries were as follows:

- **Economic valuation method**

Actuarial liabilities were determined under the Projected Unit Credit Method.

- **Economic hypotheses**

	2007/2006
Nominal discount rate	10.77% p.a./12.34% p.a.
Expected nominal rate of return on plan assets	Not applicable
Nominal future salary increase rate	Not applicable
Growth in social insurance and limits	4.5% a.a. / 4.5% a.a.
Inflation	4.5% p.a./4.5% p.a.
Capacity factors:	
- salaries	Not applicable
- benefits	1.0/1.0

- **Demographic hypotheses**

	2007
Mortality table	GAM -83 SulAmérica's experience
Turnover rate	
Retirement age	Age at which participants are first entitled to one of the benefits
Percentage of active participants married upon retirement	100%

Age difference between participants and spouses | Spouse is five years younger

The discount rate used by certain direct and indirect subsidiaries is that usually adopted in the market.

(21) OTHER INFORMATION

(21.1) INSURANCE

It is the direct and indirect subsidiaries' policy to maintain insurance coverage for property and equipment items subject to risks and at amounts considered sufficient to cover possible losses, considering the nature of its activities. In 2007, the insurance coverage for properties of direct and indirect subsidiaries amounted to R$87,441, whereas that for vehicles amounted to R$455. The coverage risk of the aforementioned assets was ceded to IRB Brasil Resseguros S.A.

(21.2) OPERATIONS RELATED TO THE MANAGEMENT OF THIRD-PARTY FUNDS AND INVESTMENT FUNDS

As of December 31, 2007, net equities of investment funds and portfolios managed by the indirect subsidiary Sul América Investimentos Distribuidora de Títulos e Valores Mobiliários S.A. totaled R$15,344,358 (R$10,726,422 in 2006), R$11,466,666 of which (R$7,739,975 in 2006) arising from institutional clients (pension funds and companies), distributors and private clients;

(22) SUBSEQUENT EVENTS

(22.1) ACQUISITION OF THE SHARES OF THE INDIRECT SUBSIDIARY SUL AMÉRICA COMPANHIA NACIONAL DE SEGUROS

On January 18, 2008, the Company disclosed a material fact informing that its subsidiary Saepar Serviços e Participações S.A. will make a Tender Offer for its indirect subsidiary Sul América Companhia Nacional de Seguros, and cancel this subsidiary's registration as public company with the CVM as well as the registration for trading its shares at Bovespa.

This operation aims at acquiring up to 61,556,695 common shares, which represent 3.01% of the total capital of the indirect subsidiary Sul América Companhia Nacional de Seguros.

The price offered for the acquisition of the shares was R$1.02 (one Real and two cents) per share, set based on an appraisal report prepared by KPMG Corporate Finance Ltda., at the base date September 30, 2007.

(22.2) MAIN CHANGES ESTABLISHED BY LAW 11,638/07

On November 28, 2007, the National Congress enacted the Law 11,638 which amends, revokes and includes provisions to the Corporate Law – Law 6,404, of December 15, 1976, and Law 6,395, of December 7, 1976. The main changes that will produce an impact on the Company's financial statements for 2008 refer to the process for the convergence of the Brazilian accounting practices and the international accounting practices, according to the standards issued by the International Accounting Standard Boards (IASB).

The main changes introduced by the aforementioned Law are as follows:

- Replacement of the Statement of Change in Financial Position by the Statement of Cash Flows, and inclusion of the Statement of Value Added (DVA) to the set of financial statement, which shall be approved at the Company's Annual Shareholders' Meeting. In the financial statements for the year 2008, a release for comparing the amounts recorded in the previous year will not be required;

- The setting up of two new account subgroups: Intangible Assets in permanent assets, already adopted by CVM Resolution No. 488/05, and Adjustments to Equity Valuation in shareholders' equity;
- Introduction of the concept of Adjustment to Present Value for long-term asset and liability transactions and significant short-term asset and liability transactions;
- Periodical analysis of the recovery level of values recorded under property and equipment, intangible assets and deferred charges;
- Change in the parameter for evaluating associated companies to the equity method, this valuation method being applicable to all associated companies in which the investor holds interest of at least 20% in voting capital, contrary to the provisions of the original Law, which established the total capital as parameter;
- Setting up of a tax incentive reserve which purpose is enabling public companies, based on CVM regulation, to no longer record donations and investment incentives under capital reserve but in income for the year (immediately or deferred), as established by the international standard. For the purpose of avoiding that companies take the risk of loosing the tax benefit from investment incentives, the regulation provides that the portion of net income that includes this tax benefit may be allocated to this reserve and excluded from the calculation basis of the mandatory dividend;
- Elimination of the possibility that public companies make voluntary revaluations of their property and equipment. As an alternative, companies may maintain the balances existing in this reserve, which shall be realized according to rules in effect (in case of public companies, as provided for by CVM Resolution No. 183) or revert these balances until the end of the year in which the law entered into effect, that is, the end of 2008;
- Exchange variation in investments abroad – recorded in statement of income, it shall now be recorded in shareholders' equity.

At present, the effects on shareholders' equity and income for the year are not determined, because some of the aforementioned changes depend on the issuance of a specific standard, which limits the extent and establishes the assumptions required for its adoption.

(22.3) MAIN CHANGES ESTABLISHED BY SUSEP CIRCULAR No. 356/07

SUSEP Circular No. 356, of December 20, 2007, introduced a new model of publication of financial statements and chart of accounts of insurance companies in effect from January 2, 2008. Among the changes introduced by such Circular, we highlight the following:

· Inclusion of the heading Other payables – accrued liabilities for civil, tax and labor contingencies in current liabilities.

· Inclusion of the heading Reserve for claims and claim adjustment expenses – judicial in non-current liabilities.

• Inclusion of a sub account under Other in current and non-current assets to record transactions related to derivative financial instruments.

(22.4) UPDATE TO MEDICAL PROCEDURES RELEASED BY ANS

In January 2008, ANS released the second update to Medical Procedures, which shall enter into effect from April 2, 2008, and establishes the minimum mandatory coverage given by policies sold after January 1, 1999. Some of the new procedures were already provided by the policies of indirect subsidiaries Sul América Companhia de Seguro Saúde and Sul América Seguro Saúde S.A.

As these changes have been recently released, the Management of subsidiaries could not measure their effects yet.

(22.5) TAX CHANGES

Due to tax changes recently in the end of the 2007 and the beginning of 2008, the parent company and its direct and indirect subsidiaries will be affected, mainly: (i) extinguishment of the collection of CPMF, established by Articles 74, 75 and 80 of the Temporary Constitutional Provisions Act, in force until December 31, 2007, as established by the Constitutional Amendment No. 42/2003; and (ii) the increase in the social contribution on net income (CSLL), through the Provisional Measure 413 of January 3, 2008, for private insurance companies from 9% to 15%, from May 1, 2008. For the year 2008, the expected effect of the aforementioned changes is a gain on the parent company's and consolidated results of approximately R$200,000 and R$10,000, respectively, net of tax effects.

(23) OTHER INFORMATIONS

As Sul América S.A. is a holding that invests in companies that mainly operate insurance and pension plan businesses, its consolidated financial statements were prepared based on the new publication model established by SUSEP. As the presentation of the financial statements according to the Brazilian Securities Commission (CVM)/FINANCIAL STATEMENTS (DFP) for holding companies diverges from the aforementioned publication model, we present below the following:

Comparison between the SUSEP and CVM/DFP publication models; and The Consolidated balance sheet and the consolidated statement of income for the year ended December 31, 2007 prepared in accordance with the publication model established by SUSEP.

Asset				
		Current asset	**December 31, 2007**	**December 31, 2006**
1.01.02	**CVM / DFP**	**Credits**	**1,325,030**	**1,250,638**
	SUSEP	Receivables from insurance and reinsurance operations	960,209	936,014
	SUSEP	Receivables from private pension operations	130	-
	SUSEP	Accounts receivables	364,691	314,624
1.01.04	**CVM / DFP**	**Other**	**300,855**	**315.217**
	SUSEP	Other assets	58,810	73,566
	SUSEP	Prepaid expenses	5,267	2,795
	SUSEP	Deferred acquisition costs	236,778	238,856
		Non-current asset **Long-term asset**		
1.02.01.01	**CVM / DFP**	**Other credits**	**3.539.159**	**3,669,692**
	SUSEP	Marketable securities	1,624,357	1,597,650
	SUSEP	Receivables from insurance and reinsurance operations	9,809	12
	SUSEP	Accounts receivables	1,904,993	2,072,030
1.02.01.03				

	CVM / DFP	**Other**	**163,335**	**143,141**
	SUSEP	Prepaid expenses	7,416	-
	SUSEP	Deferred acquisition costs	155,919	143,141
Liabilities and Shareholders' Equity				
		Current liabilities	**December 31, 2007**	**December 31, 2006**
2.01.05	**CVM / DFP**	**Dividends payable**	**80,138**	**25,262**
	SUSEP	Account 21114000001 - Dividends and bonuses payable	80,138	25,262
2.01.06	**CVM / DFP**	**Provisions**	**196,812**	**177,557**
	SUSEP	Tax and contributions	99,408	97,777
	SUSEP	Labor liabilities	27,702	26,438
	SUSEP	Accrued liabilities for contingencies	69,702	53,342
2.01.07	**CVM / DFP**	**Debts with affiliated and subsidiaries companies**	**2,007**	**2,147**
	SUSEP	Inter companies bank depositis	2,007	2,147
2.01.08	**CVM / DFP**	**Other**	**3,262,263**	**3,146,068**
	SUSEP	Accounts payable	109,303	71,466
	SUSEP	Other accounts payable	64,920	58,651
	SUSEP	Insurance and reinsurance	278,559	254,352
	SUSEP	Private pension	2,802	2,806
	SUSEP	Third-party deposits	28,162	73,345
	SUSEP	Technical reserves - insurance and reinsurance	2,453,479	2,396,848
	SUSEP	Technical reserves - private pension unrestricted plans	325,038	288,600
		Non-current liabilities Long-term liabilites		
2.02.01.03	**CVM / DFP**	**Provisions**	**470,245**	**414,840**

	SUSEP	Deferred taxes	53,278	48,719
	SUSEP	Accrued liabilities for contingencies	416,967	366,121
2.02.01.06	CVM / DFP	**Other**	**2,508,125**	**2.574.876**
	SUSEP	Accounts payable	877,581	1,110,656
	SUSEP	Other accounts payable	91,120	125,050
	SUSEP	Insurance and reinsurance	2,579	8,322
	SUSEP	Technical reserves - insurance and reinsurance	492,122	433,406
	SUSEP	Technical reserves - private pension unrestricted plans	1,044,723	897,442

Statements of income

			December 31, 2007	December 31, 2006
3.01	CVM / DFP	**Gross operating revenue**	**6,571,679**	**6,151,409**
	SUSEP	Earned premiums	6,571,679	6,151,409
3.04	CVM / DFP	**Cost of products and services sold**	**(4,493,643)**	**(4,395,513)**
	SUSEP	Retained claims	(4,475,544)	4,395,513
	SUSEP	Benefits expenses	(18,099)	(2,771)
3.06.01	CVM / DFP	**Sales deduction**	**(687,845)**	**(673,246)**
	SUSEP	Acquisition costs	(687,845)	(673,246)
3.06.02	CVM / DFP	**General and administrative expenses**	**(1,054,452)**	**(922,183)**
	SUSEP	Administrative expenses	(858,639)	(763,892)
	SUSEP	Taxes expenses	(195,813)	(158,291)
3.06.04	CVM / DFP	**Other operating income**	**305,268**	**292,019**
	SUSEP	Other income operating - insurance	128,701	141,137
	SUSEP	Other income operating - private pension	396	479

	SUSEP	Changes in technical reserves	(15,812)	(25,591)
	SUSEP	Income from retained contributions	133,472	129,439
	SUSEP	Asset management fee - insurance	1,579	-
	SUSEP	Asset management fee - private pension	8,470	-
	SUSEP	Net operating income from ASO	27,491	14,303
	SUSEP	Net operating income from asset management business	21,625	24,916
	SUSEP	Income from property for rent	1,310	1,025
	SUSEP	Other equity income/ expenses	(1,964)	6,311
3.06.05	**CVM / DFP**	**Other operating expenses**	**(381,717)**	**(326,827)**
	SUSEP	Other income operating - insurance	(274,863)	(225,514)
	SUSEP	Adjustments to investments in subsidiaries (*)	(12,472)	(14,032)
	SUSEP	Benefits and redemption expenses - private pension	(91,103)	(83,854)
	SUSEP	Acquisition costs - previdência	(3,279)	(3,427)
3.06.06	**CVM / DFP**	**Equity in earnings of subsidiaries and associated companies**	**12,695**	**1,082**
	SUSEP	Adjustments to investments in subsidiaries (*)	12,695	1,082

(*) The line "Adjustments to investments in subsidiaries" was separeted in "Equity in earnings of subsidiaries and associated companies" and "Other operating expenses".
(**) For CVM/DFP presentation, the line "Dividends payable" was reclassified from "Accounts payable".
(***) For CVM/DFP presentation, the line "Debts with affiliated and subsidiaries companies", the balance of "Securities Commitiments" was reclassified from "Accounts payable".

(23.2) ARBITRATION CHAMBER

The Company, its shareholders and managers are bound by arbitration of the Market's Arbitration Chamber, as provided for by Article 45 of its Bylaws.