



Eduardo Nishio, Brasil Plural:

Good morning everyone. I have two questions. The first one has to do with seasonality. You had a first half of the year weaker than the 2H, and the 2Q was weaker. Last year was a little different, the 1Q was weaker, but what can we expect for 2014?

I believe you are working to normalize seasonality, but I would like to know what we can really expect. This is my first question, then I will turn to my second question.

Arthur Farme D'Amoed Neto:

Thank you for your question. I believe that what we saw happening in 2013, as we were saying, we were implementing some measures, and that is going to balance the behavior along the quarters. I believe this is the main comment I can make to address your question.

Eduardo Nishio:

These measures, can you tell us anything else about them?

Arthur Farme D'Amoed Neto:

These measures are related to the average of the components that constitute IBNP, IBNR and etc., We need to see to what extent we are actually capturing this seasonal behavior, cyclical or linked somehow to the calendar of the Healthcare sector.

Eduardo Nishio:

Can we expect an improvement in seasonality for 2014?

Arthur Farme D'Amoed Neto:

I'm not sure if we can expect that, what I can tell you is that 2013 results was already influenced by these measures.

Eduardo Nishio:

OK. My next question, I would like to concentrate in auto. We always think about the competition, what do you expect for 2014, and why is the competition not there? What are the structural arrangements for it and when do you expect it to happen? We know that Bradesco and Tokio Marine, for instance, are more aggressive, so how do you see those signs of competition?



Carlos Alberto Trindade Filho:

Auto is a cyclical segment. If you look at the past, you will see those cycles happening for several reasons. In the past we had interest rates changes, impacting the market, but we cannot forget that several other factors end up impacting the market for auto insurance and the competition itself.

That is part of the process, that is a cyclical process. It does depend a lot on the changes of those drivers so that we can understand the movement and try to do any kind of prediction. I would say that the past is the best indicator for us.

Eduardo Nishio:

OK, but considering interest rates are already higher, I would like to understand that better, insurance companies will probably have a better financial income figures, better than the previous year. Do you see that higher competition, due to higher interest rates, getting tighter now in 2014?

Carlos Alberto Trindade Filho:

OK, let us go back to our drivers. We have several drivers that should be taken into consideration. We have theft rates, the parts prices, labor, inflation, all of that impacts affects the competition. We cannot only consider interest rates. The market nowadays is much more well prepared to take all of that into account, and it is able to understand the value destruction that some types of movements might cause.

So, I expect that behavior always from the market in a development we have seen in the last year.

Eduardo Nishio:

So, you expect more rationality along the year, right?

Carlos Alberto Trindade Filho:

Well, this is a permanent process in the segment, and the retail product is under pressure. That is part of the game. What should be taken into consideration or what should be analyzed is how are all these drivers behaving, prices, results, you have to work with all the variations.

Eduardo Nishio:

OK, thank you.



Felipe Salomão, Brasil Plural:

Good morning everyone, thank you for this opportunity. I just have one question about the administrative expenses. The performance here was exceptional in the 4Q, the absolute amount was interesting year on year and you were able to have good results in terms of savings this year.

So, I would like to ask for more details: where these savings came from? It did not come from personnel, because the number of employees has increased. So, what measures did you take? What is the outlook for 2014? What can we expect in terms of SG&A for this year? Is there going to be a growth, a growth in margin? How is it going to behave vis-à-vis 4Q13?

Arthur Farne D'Amoed Neto:

Thank you for your question, that is a very timely question. The Company has investing in technology in a way to become more efficient in terms of resources. This process is maturing.

Despite having an increase in personnel, due also to the integration of the capitalization segment, as we have mentioned, and that is reflecting in other lines, also in the number of employees, but that integration is also considered a decrease in redundant status and the rationalization in general of administrative resources used.

That is also part due to investments we have been doing along the years. We have a control process we are improving, it is not perfect, but it is improving. That reflects on the results as well.

Felipe Salomão:

That is perfect, thank you very much. Just a follow-up to the question: do you have any expectations for 2014? Should you spend a little bit less on administrative expenses or a little more? Anything you can share with us?

Arthur Farne D'Amoed Neto:

Right now, no. We do not have anything we can inform now, the Company is following the policy along the last year. I do not believe there is going to be any difference or much difference in that.

Felipe Salomão:

OK. Thank you very much.



Rafael Frade, Banco Bradesco:

Good morning everyone. I have three questions. First, about other operating expenses, when we see the year to date, R\$69 million of expenses with insurance operations, and in the 3Q to the year to date it was R\$80 something million. There was something different in that line. I would like to better understand what happened, that reversion.

Also, can you tell us a little bit more about life? When we analyze the profit for operations in life, there is a loss of R\$50 million, I would like to understand this a little bit better. You mentioned a restructuring cost, and that those had better results in the second half, I would like to know what is going to be the behavior for 2014.

Finally, can you please tell us a little bit about the breakdown, if you are seeing an impact in terms of health. We see some discussions from the retail, from brokers and that may have implications in the affinity group as well as SMEs. I would like to know if there is going to be any impact on these channels.

Arthur Farme D'Amoed Neto:

Good morning and thank you for your questions. The first question is about the behavior in terms of expenses reduction and of operating expenses. I believe there the main reason for that job was the provision done in the 4Q12 that did not need to be repeated in the 4Q13. So, in comparison, we had to do there, but not here. Everything else, the behavior, it was a working behavior.

Turning to your second question, which we will address, but considering you had long questions, maybe if you could repeat your second question, I think it will be helpful for Trindade.

Rafael Frade:

Let me do a follow-up on this first question. Specifically, there was a line which was explained with insurance operations, which was lower in the year to date than in the 9M. What happened there? Did you have a new allocation on that? Anything specific happen?

Arthur Farme D'Amoed Neto:

Rafael, maybe there was a minor relocation. I will check the figure and get back to you.

Rafael Frade:



OK. About my question on life, Trindade, can you tell me a little bit more about what happened in life and maybe in personal accidents, because we analyzed the results of each one of the operations and we see there was a profit of R\$50 million in 2012. That was explained by what Arthur said, but there was a loss of R\$50 million now in 2013.

I understand you did some adjustments in the operations and I would like to understand what kind of adjustments were those and what we can expect for the operation now in 2014.

Arthur Farne D’Amoed Neto:

Let me mention a few things here and Beto will complement. This is the main result, here we have a reversion done in 2012, and we have the same level of provision, and that is something the Company has been doing for some time. We did not think the process was mature enough to allow a newer reversion.

About the results, the result behavior on the line, the main reason in here maybe is related to the scale of production of the line, when we compare it to the amount of administrative expenses we have linked to the operation expenses are not as flexible as this line in particular, because it becomes more costly to the operation.

We had to reduce the scale due to very specific topics here. Beto can give you further information.

Carlos Alberto Trindade Filho:

Last year was a year in which there was great effort, in spite of being in constant work as a Company, but specifically in life last year, we undertook a huge effort to do account’s rearrangement, we had done a renegotiation and also the removal of several accounts of the portfolio. That process has impacted the result as well.

Also, we work on the preparation. You can see by the figures at the end of the year that there is a stabilization of the portfolio. We also had a judicial dispute of more relevant amount last year that contributed to this negative figure, but I believe that the most important thing last year was the cleaning we did in the portfolios of the segment, the preparation of new products, launching new products and SMEs, the reassessment of SMEs.

We also launched “Vida Capital Global” a very well accepted product by brokers. So, the repositioning happened last year, and that reposition impacted the results. But I am very happy with what has been done in 2013 in the life and pension portfolio.

Rafael Frade:



Thank you very much. Now, if I can repeat the last question, to Mauricio, about health breakdown, we see some changes in the distribution channels, mainly in affinity and SMEs and I would like to know if there is some specific impact, we see some brokers are disclosing. Are you seeing any kind of impact of that in your production?

Mauricio Lopes:

We were following the discussion that happened last year, and what we saw is that this market is dynamic enough to find an alternative.

We have not seen along the year an impact in terms of distribution. We followed what was going on, we followed discussions and we understand solutions were found and addressed the problem of 2013.

It is important to see we have a better scattered distribution. Right now we depend upon several brokers in different areas. In 2013 this discussion was not on a specific area. We also had other formats and all of them have been on discussions, but we did not see any impact last year. It was all fine.

Rafael Frade:

OK, thank you very much.

Arthur Farme D'Amoed Neto:

Well, before we turn to the next question, the information about that variation you had mentioned in terms of expenses, it is just what I mentioned. In 2012 it had been impacted by something specific that happened at that moment, which was provision for doubtful account, that provision, and it did have an impact at that time of the year.

Rafael Frade:

OK, I understand that, thank you.

Carolina Yoshimoto, Goldman Sachs:

Good morning, congratulations on your results. My question is about loss ratio and health. You have a good result in your results due to seasonality, but also due to the measures you have taken.

How much was that seasonality, how much was that your initiatives and how can we see the scenario from now on? Because price adjustments now are lower than the medical inflation, which pressure costs. So, I would like to



understand how much you see a margin for benefit. Do you have anything else on the pipeline? That is my question, thank you.

Mauricio Lopes:

2013 was very strong in terms of implementation, health and loss ratio management programs. We started in 2011, and we accelerated it last year. We had important contracts done, direct purchase, process reviews, we talked to doctors, we had a differentiated remuneration mode, all of that was reassessed and implemented last year, in 2013.

Obviously, we also have the process of renewal or implementation functionalities, not different from prior years. Our loss ratio depends not only on what we are doing, but also on the market. In January 2013 we were able to control loss ratio based on the actions we took and also based on a type of increment we have done and also it was the result of the team's work.

Carolina Yoshimoto:

OK, thank you.

Domingos Falavina, JP Morgan:

Thank you. Good morning everyone. My question is more of a macro question. Two things came to my attention: first, the pricing in auto vis-à-vis the interest rate. Interest rates are increasing and competition is not picking up. We see that no one is willing to drop prices and increase competition.

Also drawing our attention is the management speech. You are not talking about your forecast for 2014, that is different from any segment in the area. Do you have a macro pessimism? Is this something from the industry? We feel that you are not willing to tell us how was the competitive for auto, for health, so it is more of a macro issue.

Gabriel Portella:

What we are avoiding to say is that there are no changes in the factors that are driving this market. This is a niche market. The competition in each one of the segments is different, it has its particularities and we have been preparing to face any challenges that may come. We are not pessimistic about Brazil.

We have a group here that is absolutely optimistic, so we do have a good long term overview of the Company, also about the factor and about everything that Sul América has been doing to prepare itself for competition.

So, there is nothing new. The competition in auto has always been there. As Beto said before, it is better prepared and there are several factors here



impacting health, medical inflation, also medical costs. This is a permanent process, worldwide, not only in Brazil.

So, each segment has volatilities in the market, and even with the volatility from last year, we were able to have a better performance of 108%. So, that is our job, and that is what we do: live with the risk. Risk is always a risk and an opportunity.

We feel we are very well prepared and 2013 shows that we are prepared for the many challenges we might face.

Domingos Falavina:

So, Gabriel, considering that the risk has always been there and there has been no change in operation, the trends that are in the market, my second question is: what do you expect for 2014? What is the scenario like? And the margins, this competition in auto should be better or not? Loss ratio, if we analyze the loss ratio for health, what do you believe is going to increase more: macro cost, the ability to transfer price, the policies to reduce events? So, 2014 is the year that started with a positive scenario along the lines or not?

Gabriel Portella:

Well, I will leave to you the scenarios. We feel prepared for any scenario that might come up. Once again, I say that competition is there in the market, and for a multilined Company, the additional challenge is to be prepared to compete strongly in all markets, in which we are present.

We are prepared for any kind of scenario in all segments, auto, health, capitalization, life, pension funds, everything. So, the scenarios I will leave up to you, but we are working hard and we feel very well prepared for any future scenarios.

Domingos Falavina:

OK, thank you.

Gustavo Lobo, BTG Pactual:

Good morning, I have two questions. I am sorry, I missed the beginning of the call, I do not know if those were addressed. First, about SulaCap, there was strong integration. Is that something you will work on for 2014 or maybe has some seasonality in the 4Q that might not repeat itself?

I would like to know also, you said there was a reversal for a contingency provision, I would like to know what is the size of that reversal and if we can consider that as non-recurring.



Arthur Farne D'Amoed Neto:

Your question was not clear enough. I understood you asked about SulaCap and I know you said something about seasonality, but I could not pick up clearly. Can you repeat it?

Gustavo Lobo:

Yes. SulaCap result was very strong in the quarter, so is there a seasonality? Is there a stronger seasonality in the 4Q or is this a new standard for 2014?

Arthur Farne D'Amoed Neto:

No, SulaCap does not have seasonality, just like the other lines, it's integrated and it is going to contribute positively to our results as a whole. There is nothing extraordinary there.

About that fiscal reversal, we have explained that there was a reversion and the Company had a gain, and that was sold in the 4Q.

Gustavo Lobo:

What was the size? The amount of that reversal?

Arthur Farne D'Amoed Neto:

The provision is of around R\$25 million, and the bottom line of that is R\$17 million. That was the share in which we had the reversal.

We understand this is a non-recurring event, because if you have provisions, the provision is for that type of management, but I would not consider it a recurring event.

It happened in that quarter, that is when the decision came out, as we already had it in September the first instalment of the same reversal. That is why I understand this is a non-recurring event.

So, you should not consider provisions under the same nature for the year results.

Gustavo Lobo:

OK, thank you.



Operator:

The conference call for SulAmérica is concluded. We thank you all for your participation, have a nice day.

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