

**Carlos Macedo, Goldman Sachs:**

Good morning. Congratulations, Gabriel, for the new responsibility for your new position, and I wish you very good luck.

Two questions. One has to do with loss ratio in health. We saw a major increase in 1Q, higher than last year's level, already in the 1Q12, and we know that the top of the cycle is on the 2Q, before pricing.

So, what could we expect in terms of cycle this year? Do you believe we could see an increase in 2Q, and what about the situation in April? What about the behavior of loss ratio in April? And what is your estimate for the whole year, due to this relevant increase in 1Q?

The second question, the press published a few weeks ago that the government wanted to limit the increase in health plans, health insurance, maybe giving some fiscal benefits to other sectors. So, is this going ahead? What is the situation and what is the potential impact that it has or will have on the Company?

**Gabriel Portella:**

Thank you very much for your very kind words. I would like to start by the second part of your question. I know that was published, a probable incentive, or the removal of the tax burden, but there is no concrete measure in place that could encourage us to do anything in this regard.

I do not see this happening. I would like to remind you that whatever is controlled by the government, 70% of what is controlled by the government is protected by a commitment, an agreement that was signed, and this prevails over any other sector, until this is change by all the parties involved.

So, we know about it, but there is nothing concrete about it. I would like to give the floor to Maurício now, to answer your first question.

**Maurício Lopes:**

Good morning, Macedo. Thank you for your question. Regarding the loss ratio, what we found in this 1Q was the calendar impact that was relevant for us, the holiday season in December, as you know there is a rollover, there is a carryover effect.

The adjustment cycle continues working as it has always worked, on a quarterly basis, and we understand that what is being addressed in the contract is sufficient for us to have a normal expected cycle in the subsequent months.

We have the fundamentals and the metrics that are very balanced internally, so we do not expect anything different for the rest of the year.

**Carlos Macedo:**

Another follow up question. So your target, when you price a new group health policy is 76%, 78% loss ratio?

**Maurício Lopes:**

It depends on the nature of the portfolio, the portfolio is our difference, and they take into consideration the claims, the administrative expenses, the delinquency levels that we have in the portfolio, but we are analyzing pricing in group in a very consistent manner, in a very conservative manner.

There is a growth in sales, but it is in our portfolio that we have better profitability. But on average I have to put this in the model, it should be around the same level of pricing.

**Carlos Macedo:**

If there is a much higher increase in frequency and the medical costs are higher, you are going to transfer this to the price, correct?

**Maurício Lopes;**

Yes. In the next moment it will be taken to an adjustment in the future contracts, or the future adjustments.

**Francisco Kops, Banco Safra:**

Good morning, everyone. Congratulations, Gabriel, for the new position. This is more a follow up on Macedo's question. Of course, there was that big gap between 1Q13 and 1Q12 regarding loss ratio in health, and we have already explained that it has to do with the work days of 4Q and because of the holiday season etc.

Besides that, it is a little difficult for me to understand, because I was not able to see this increase in loss ratio in some other players. I mean, the impact was higher on you. So, maybe you could have an explanation regarding the frequency of utilization, also regarding prices, maybe. Do you think your prices are enough to offset this increase in the level of frequency or do you believe it should be higher?

So, my question is really a follow-up on the previous questions, the high seasonality, the holiday season etc, what were the other factors that impacted your loss ratio in 1Q?

**Maurício Lopes:**

Thank you very much. Two items: the issue of loss ratio in the market as a whole was an indicator we had for the last quarter, that is to say, until the end of the year there was a deterioration in all the players, and we were not the ones that suffered the highest impact, some others suffered more, like 2p.p.

It is difficult, you can see that the market overall has been showing a higher deterioration, and in 1Q we see the same situation we saw in previous years, and we see it in the market as a whole, we are not different from that.

There is a very strong movement regarding pricing, such as we were already doing before. We have one effect in 1Q, which is a calendar effect, and that is relevant, but it does not change the structure of what we are doing. Of course, this change will be transferred to the adjustment prices, such as we always do, be more inflexible, maybe, with some contracts that do not perform as we estimated they would performed when they were sold for the first time.

**Francisco Kops:**

So, we could imagine that delta, as delta was very big between 1Q and 4Q, that the delta would not have been between the 1Q and the 2Q. I believe that this is more or less the sensation I have based on your answers, that is to say, on the 2Q it is not going to be as high as the 1Q or last year.

**Maurício Lopes:**

I cannot give you a guidance regarding that, but I can tell you that the first month of the quarter is very much in line with what we expected. I think this is the best information that I can give you without mentioning a guidance.

**Francisco Kops:**

The second question I think is more to Arthur, and I would like to talk about that with Guilherme. The financial results, we see that the result of your investments was practically stable in your investment portfolio.

It was very similar, but there is another line that says "other" which dropped quite a lot, and I think it explains a little bit why the overall financial results dropped quarter

over quarter. So, what is the reason for that? Do you have any specific explanation for this?

**Arthur Farmed D'Amoed Neto:**

This line, Francisco, has to do with liabilities regarding installments. This is a line that should not have a very volatile behavior this year. It has more to do with interest rates, and there is nothing that could really change this line very much.

In 2011, I think you saw that there were some changes, but this quarter, R\$25 million, because of an increase in provisions in R\$14 million in the quarter. So, in our planning we already had an estimate for having this kind of provision, and part of this effect is on the other line. This is the comparison you should make.

**Francisco Kops:**

Thank you very much.

**Eduardo Rosman, BTG Pactual:**

Good morning, everyone. I would like to ask about the auto market. We have been seeing that the premium issues continue to grow much more than premiums earned, so I believe the Company will be recognizing a positive result of that in the next quarters. Could you talk about that?

Could you talk about the auto market? In your case the result was very good, and maybe you could talk about the other players in the market. The auto market, everybody knows is very competitive, so, do you think the market will continue to be more rational?

**Carlos Alberto Trindade:**

Thank you very much for your question. Talking about the premium, you are right, we have a major volume of premiums issued, and this will have an impact over time. In the premium line in this area, and the issue of our result has a very big connection with the strategy that we pursue and that we started at the beginning of last year, in fact, late 2011, and that has proven to be adequate, a technical quality in the commercial policy that is very well conceived.

Lately, in what regards our commercial policy of very good performance led by Matias in the process, and I think we were able to put all of this together in an excellent execution with many changes in products, format, commissions] that we make available to our brokers.

So, it was a year of many changes that in my opinion were very well executed by all the sectors of the Company. The outcome was the effective result, this was not by chance that it happened, and I think the market is very much aware of the need to generate operating margins, the changes in the market and regarding policies and the drop in interest rates.

All of this has already pointed to the fact that there will be a new pressure cycle in the market, and the cycle was already there. Companies are of course, working to generate results, but on the other hand, as you have said yourself, this is a very competitive market, and we can see on the figures that are presented, and we have published our figures two days ago.

This shows the high degree of competition among the companies, but our position will always be a position of a very high degree of discipline, in terms of risk acceptance and pricing, and capping into all of this capacity that Matias has been showing in his commercial policy, and also in the exploration of new segments, distribution, etc.

I would like to ask Matias to say something about the commercial area.

**Matias Ávila:**

We have been delivering a major growth in our business lines, driven by the capacity of SulAmérica of being a multiline Company, and we are moving circle, in spite of the pricing and what is necessary, so we have been growing in group insurances.

I would like to mention all the lines, 15.4% in group, as Maurício said, SMEs 27.8%, you have this in our report, auto, 28.7%. So, we take advantage of our big distribution capacity, with over 30.000 brokers and just a handful of companies have access to this kind of distribution. We have an important network to capture these over 30.000 brokers and also other people who help us tap into this market, and also, as was said before, we are living a vicious circle, we did our homework in the previous year, we are very strict in our pricing, so we could really take advantage of the entire growth.

Thanks to everything that was done last year, a very strong change the results, products and systems and pricing, and the expansion of our network that into this market. All of this combined led us to have the 1Q13, also a very significant growth, with very good results.

I expect we will continue along these lines, we are very well aligned, and we take advantage of all these business lines. I would like to remind you, you did not ask, but we have been growing a lot in property and casualty, meaning, in the mass insurance, residential, multirisk and condominiums also take advantage of these changes that we put in place, tapping into this market, and we have our brokers in this sense, because

we can add with more agility and our brokers as well, all related to the quality of our product.

So, we are living a virtuous circle, also a very good moment in sales overall, according to the strategic planning we did for this year.

**Eduardo Rosman:**

Thank you.

**Gustavo Lobo, Banco Bradesco:**

Good morning, everyone. I would like to go back to the results and better understand this increase in loss ratio in group incurrence. Was this a specific group or a specific kind of portfolio? Because we did not see this strong effect on individual incurrence.

So, we would like to better understand where did this come from, this increase in loss ratio, and what is your expectation regarding group in the 1Q now, net of the effects that you referred to. The seasonal effect that you referred to. I would like to know how February and March were compared to January and what your projection is for the next quarters.

**Maurício Lopes:**

These are different portfolios, with levels of maturity that are different, and they have different behaviors. One has a longer time of life, so it is only to be expected that the results should vary overtime.

We will see different quarters, we do not expect them to have homogeneous behavior, that could even happen in one quarter, but it is mostly a coincidence, because you should not expect any degree of homogeneity among and between the portfolio.

Regarding the calendar effect that we have been referring to, and the variation we had from one period to the other, we imagine that the service generated from December to January will drop about 2 p.p. So this is very relevant, because it brings a relevant impact, as it is carried over to the 1Q.

But it was also one-off, and it has come to an end, so it has already come to an end, and this regards all portfolios, individual or group, but as I have said before, the dynamics of the portfolios are different.

In groups you have different movements, like SME, corporate, adjustment movements, so we have many group portfolios that are being negotiated and they will have retroactive prices that will be placed in the 1Q, but for accounting effects we have to

close it, and it will all reappear in 2Q, although it has some fundamental viewpoint retroactive effects.

**Gustavo Lobo:**

So, if we consider the 2 p.p., this means the improvement we saw in 4Q was only because of this effect, with this 2p.p. it would be more or less in line with 4Q11, and for 1Q13 we continue to see a deterioration, but a lower deterioration, and maybe a deterioration year on year regarding 2Q12.

**Maurício Lopes:**

Yes, your analysis is correct, and I think the relevant point to be considered is that this has no indication whatsoever to believe that the 1Q, the payments are future, because many actions that are underway in our conversions, percentage continues to be high.

The degree of difficulty has increased a little bit because of the average inflation of last year, but we continue to be very effective, and our clients continue to stay with us. This is very relevant.

So, you can see that it is the behavior of the market, everybody is looking at the same thing and establishing prices, and we do not see any structural changes that could lead to a change in the structure we have established. We expect this to confirm in 2Q and from then on.

**Gustavo Lobo:**

Thank you. This is an indicator we have been monitoring.

**Francisco Kops, Banco Safra:**

One last question about SulaCap. Your acquisition has already been approved, so what could we expect from SulaCap still in 2013? How much should it bring to the Company in terms of earnings before taxes? What about your sales channels? Will it be through brokers or banks? Do you have a distribution channel in the banking channels? Could you talk about capitalization and what we could expect in this regard?

**Gabriel Portella:**

Thank you for your question. We are very enthusiastic about this transition and the transactions. Capitalization has everything to do with our Company, which is a multiline Company, and taking synergy from the companies we are incorporating to the added value of capitalization is our utmost wish.

We intend to develop capitalization overall, increase it with reverse synergy. Reverse synergy in the sense of opening to our clients from SulAmérica to the whole universe of capitalization. In terms of results, you must remember that capitalization generated R\$50 million results, so this adds a very important value to our business.

We are very enthusiastic about that, and we are more and more together, we have full integration amongst all our business lines, with these two teams becoming one, and being stronger.

I would like to give the floor to Arthur to see if he has some details about capitalization.

**Arthur Farmed D'Amoed Neto:**

Thank you. The process has been concluded last Thursday, so, as of May, the result of SulAcap will be consolidated to SulAmérica S/A. You were talking about channels, and the Company differentiates itself in terms of the products it offers.

The products of one single contribution, of monthly contributions, to go to other products that are more diversified, and specially another one that is really successful, which is the rental guarantee. You contract a capitalization policy, and this serves as a guarantee for the purchase of a housing unit, for instance.

We have been very successful with this endeavor, offering these products by means of companies, carryout promotions, or brokers, and our real estate administrators that offer them as a guarantee, and SulaCap also has, among its assets, participation in Caixa Cap.

Caixa Cap is a traditional capitalization that distributes in the Caixa Econômica Federal network of branches. So, it is a very important contribution for the results of SulaCap, R\$50 million last year.

I think Matias could, maybe, talk about returns and the increase in opportunities we see for SulaCap.

**Matias Ávila:**

SulaCap brings to us another business line, and we have the opportunity to extend it to brokers who do not operate with SulaCap, it is the opportunity we have to bring the products of SulaCap. SulaCap is a very innovative company, it goes beyond the traditional box, so to say; the rental guarantee products has everything to do with our multirisk products and condominium, where we already rank second in the market.

We are growing a lot in condominiums, and we can offer the guarantee of rental to the agents, the real estate agents, and the insurance brokers are eager for us to extend this business offer.

So, this completes our portfolio of products, so that we may offer them to the real estate agents and companies that rent real estate in general.

**Francisco Kops:**

Thank you very much, everyone.

**Operator:**

As there are no more questions, I would like to give the floor back to Mr. Gabriel Portella, CEO of the Company, for his closing remarks.

**Gabriel Portella:**

Once again, I would like to thank all of you who have participated in this call, and I would like to take this opportunity, because we have many people who work for us listening to the call, and we want to thank them very much for their commitment, for their hard work and for the good result that will be delivered in the next quarters. And, of course, the investor relations area of the Company will remain at your disposal. Thank you very much.

**Operator:**

SulAmérica's conference call is closed. We would like to thank you for your presence and wish you all a very good afternoon. Thank you.

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the company hosting this event, which was transcribed by MZ. Please, refer to the Company's Investor Relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript."