



Eduardo Nishio, Banco Plural:

Good morning and thank you for this opportunity. I have two questions. Regarding the premiums, we have seen that you finished the quarter at a level of almost 11% growth for written premiums compared to last year and there has been a deceleration, last year it was 15%.

So, I want to know what the prospects are for this year, how much do you think you will be able to grow? Regarding also the increase of prices in healthcare by middle of the year, I want to know for the whole year. Do you think you will be growing about 15% like last year? That is the first question. And I will ask the second.

Gabriel Portella Fagundes Filho:

Thank you for your question. Well, some effects that you see as deceleration are for us maintenance of growth. For instance, in the auto segment the growth last year was high. After, Beto can speak more about this also.

It's important to point out that in 2014 we have been repositioning some products. So, if we do not grow more it was because of the strategy of repositioning like in life, which had a direct positive impact on the results.

Health has grown significantly in the group corporate segment and the small and medium sized companies segment grew very positively.

So, if were to continue with the current pace of growth, we would observe double-digit growth as you have said and continue to maintain this perspective. There has not been a deceleration, rather, a repositioning in some portfolios. There will be a continuation of the growth in those segments which strategically are of greater interest to the Company.

Eduardo Nishio:

Perfect, double digit growth for 2014. With respect to autos, then you would attribute this low growth in the segment to tough comps from last year or you are seeing a difficulty in passing along price increases, given increased competition at the beginning of year?

Carlos Alberto Trindade Filho:

Regarding the growth for the beginning of the year, it is important to reinforce that last year in the 1Q we had a growth of premiums of 28.7%, a consequence of a policy announced in the middle of 2012.

So, when we entered 2013, those prices of January and February 2012 faced a very strong readjustment, which we had forecasted earlier in our rate changes in 2012. And this year, obviously, you cannot make more significant increases on top of the same portfolio, as they have already been made.



This year our strategy has been to protect our results. During the end of last year, there was some movement with some companies in the sense that they became more aggressive. And in the beginning of the quarter, in February more or less this began to give way a little bit.

So, our movement at that time was to protect our results, protect that portfolio that had been adjusted to the previous year. And we will see that these growth rates were altered in time, because of the difference between quarters in 2013 as compared to 2012.

This does not concern us and is within our plans and what is important now is to protect our portfolio and have good profitability, and there has been a slight increase in claims, and really, the frequency of theft, grew and stabilized. Now, we are expecting increased security activity, which should decrease claims and also, a small adjustment in the claims reserve methodology (IBNP) was made, and this contributed to a 1 p.p. difference and has stabilized. We are in a good and stable position within our strategy for automobile insurance.

Eduardo Nishio:

Perfect, very clear explanation. My second question has to do with the debentures. The operation was canceled. So, now that this is over, could you give us more details about the use of proceeds? Could you talk about these segments of interest which you had as an objective with the issuance of the debenture? And what you are going to do now since it was cancelled?

Arthur Farme d'Amoed Neto:

Maybe you have not yet seen, but we published a Material Fact statement today, this morning. Well, we are doing a new issuance of R\$500 million of new money with the same type of destination for the resources, in other words, we intend to maintain the same levels of liquidity that we understand to be adequate in order to support the Company's growth levels and non-organic corporate development opportunities, and acquisition opportunities that we are always positioned to consider.

Eduardo Nishio:

Thank you, No, I have not seen that yet. Could you tell us what are your segments of interest: Health, Auto or any other segment?

Arthur Farme d'Amoed Neto:

Yes, all the segments in which we are active. I know that is a very generic answer, but we will invest in the space that we are already in, looking at our portfolio, and as a whole.

Eduardo Nishio: Obrigado.



Rafael Frade, Bradesco:

Good morning. My question is for Mauricio. I would like to know about loss ratio in the Health segment. You may remember last year, part of this loss ratio, if I am not mistaken, was assigned to some payments that should have been made in December and they happened in the 1Q13. So, in 2013, you had still had 200 BPS more, due to some expenses from the 4Q. In fact, when we look at the loss ratio base on recurring basis, it is increasing year-over-year.

So, what do you see as being behind this and what you expect regarding this loss ratio, particularly Health performance this year? In this year, are you making adjustments, more or less, from what we can see, in the SME portfolio at higher levels that what were made in the previous year? And do you think that this will be enough to bring the loss ratio down to lower levels?

Mauricio Lopes:

This is Mauricio speaking. Thank for your question. I think there are two issues. The first question is the calendar effect of last year which was observed this year. Last year we closed the quarter on a Tuesday and this year on a Wednesday, and yes, we did have some external factors, such as a transfer from providers due to a lack of capacity available to process claims documentation, lower adherence to scheduled appointments, which transferred items to 2013. We saw a similar effect, but this year it was less.

And regarding the loss ratio, our reference point is the same as it has been, we are making adjustments that are very robust and in line with the market. We have already discussed this, as it is structural and the situation continues, with periodic price adjustments as the easy short-term solution,

The adjustment is a short-term solution, long-term we spend on health management and loss ratio management. For the Health, we have at medium-term. This will allow us to have a better profitability and better service to our client.

Now, the health does not give you a short-term result. It has to be consistent long-term. And I think we are coming to this situation very soon. And managing claims, we want to be the best-in-class and we have been managing our health, turning up our health and qualifying our network and tidying up, and this has been to improve our traction as a whole.

Adding the two components, the growth in price re-adjustments and management of losses and the health as a whole, we continue to be very optimistic with our product and the possibility for long-term profitability.

Rafael Frade:

And Mauricio, regarding the calendar effects, last year you were at an atypical situation with the health loss ratio, and the 2Q was not much better than 1Q. Will there be something similar this year or is it difficult to know?



Mauricio Lopes:

Generally, we do not predict the future, but even if we could, we have not closed all of the periods yet, particularly in the month of May. So I cannot give you an answer.

Now, what I can tell you is that we have closed on a significant volume of products and work in our portfolio, even more accelerated than in 2013. So, we are putting a lot on the table to be able to control this loss ratio.

Rafael Frade:

Thank you very much, Mauricio.

Francisco Kops, Safra:

Good morning. I also have two questions. One is about Health. I think this is the second quarter where we are seeing a decline in policyholders. For three years, we have seen these dynamics of medical inflation and the transfer of the industry prices, which is high. In the past, we have seen growth, even though decelerating, in the number of policyholders. At least in the past we saw those two, but even still there was growth, although those numbers of insurance holders have been higher, it seems to be dropping and now it has been the second quarter.

So do you think this is something more specific for SulAmérica in order to clean the portfolio, a strategy focused on profitability or do you think it is something more structural, or do you think we have greater stability now or a drop in the number of insured members? After, I'll ask my second question.

Mauricio Lopes:

Thank you, Francisco. This is Mauricio. Well, what we think is that we will continue this structural question of the market, which is homogeneous, and we have been fighting for profitability based also on readjustments.

If everybody goes up in the same direction, obviously with different magnitudes, each with different dynamics, each with its specifications, but a direction that is more or less the same, and our churn has been quite low.

But, as unemployment continues to be low, retention of labor by companies continues to be very important. And the unions also make things more difficult and our product is a bit more premium, which enters into consideration in the union negotiations. So we do not see the reduction of insured members as being material. We have had an adjustment, because of the loss in a large contract at the end of last year which impacted the corporate and dental portfolios. But, more important than this is that in two portfolios, dental, which was impacted by the contract loss and SME, which grew in the neighborhood of 25%, where we have the most significant growth, they continue to grow.



Another point is the reduction of a contract is just an underwriting adjustment and we will continue making adjustments over the next years.

So, I think if we add the price re-adjustments, high retention, in other words a low churn because of circumstantial events and we will continue to have a material number of new sales which will continue to be impressive within our dynamic, I am pleased with the growth in the portfolio, aside from the loss in a significant contract during the past year.

Francisco Kops:

So, if I am understanding, it was a one-off event, but nevertheless, the industry the way it is, we note a third subsequent year of high price adjustments along with the creation of employment, which has not been very strong, as in the past, maybe we would have to expect a stabilization, in the number of beneficiaries.

Mauricio Lopes:

We do not see the penetration of health insurance reducing in the market, in absolute terms, and believe that market penetration will continue to grow positively, with only a quarter of the population served and space for growth.

So, from the structural point of view, in the medium-term, we continued to believe in the market dynamic and we continue to believe that the bargaining power of workers, together with employers, will continue to support health benefits, along with education and homeownership, which is one of the more desired things in the country.

So, we do not see a risk of slowdown in beneficiaries in the portfolio. Some one-offs could occur, but nothing material.

Francisco Kops:

Thank you, Mauricio. And the second question, capitalization (premium savings bonds) is already quite relevant in your revenue, at 13% for this quarter. I would like to know a little bit about distribution channels?

Does distribution still come principally through brokers? Has there been competition with the bank assurance capitalization products? We see the banks focusing a lot in this segment. I would like to understand a little about how we had a very strong increase in capitalization expenses this quarter. Thank you.

Gabriel Portella Fagundes Filho:

Well, the capitalization activity has been significantly integrated and there has been an expansion in the distribution channels. There was a specific channel for all the SulAmérica subsidiaries and brokers.

This is a program that when we actually integrated capitalization, we had to begin a process to map out and train, and we noted month after month, the growth in the channels and broker base which sell this product, particularly those which are more



characteristic of the broker network, such as the rental guarantees, which has grown a lot, showing the potential that we have shown and will reach..

The other products that are more to do with individual channels which also obtain strong results and have potential. I only say that when the Company speaks about capitalization and more than this we have expanded the broker base and broadened the product line.

The competition has changed and there are more competitors now coming into the market, which is also always exciting and a normal aspect of the game. The product also begins to become more attractive as a cross-sell option for the Company, considering combinations with other products.

So, the results have been positive. The main channels are the ones that we operate normally, and without a doubt the brokers are the principal channel. The niches are different whether real estate, or other companies, showing that SulaCap has demonstrated to the market a greater capacity as an independent channel which has become the fourth largest company in the segment.

Francisco Kops:

Excellent, would you explain a bit about why there was a strong increase in expenses this quarter? The growth was strong but the net result was worse?

Arthur Farne d'Amoed Neto:

Well, this was an accounting adjustment of one of the capitalization partners which had a one month leg that we adjusted and impacted the quarter and will not be repeated in the future.

Francisco Kops:

Thank you.

Gustavo Schroden, Merrill Lynch:

Good morning, Gabriel. Thank you for the opportunity. If we go back to the 1H13 and compare the loss ratios, we will see that in Health is practically the same level. Auto has gone up, as expected, because your competitor who focuses in auto also shown these numbers.

So, the impression we have is that in spite of splendid growth and price adjustments, this has not been enough for you to reduce the loss ratio. So, if we look at your acquisition costs, the ratio went from 10.6% in the 1Q13 to 11.3% in the 1Q14. My question is the following: doing the calculation here, the ROE that we have, considering this financial improvement, is an ROE of 8.8% or 9%, and you put here an average during the last 12 months of 15.3%.

What can we expect from now on? It seems that this health loss ratio has come to stay at higher levels and you already have a year at this level, and considering the



seasonality during the year, but, now the Auto segment as well, and now with higher acquisition costs.

So, could you speak about this? Do you expect an improvement of these indicators and a return in the ROE, at more or less above 10% this year? Or is this a level that we should expect? Thank you.

Arthur Farne d'Amoed Neto:

Gustavo, thank you for the question. Beginning with the last points, I believe that the average is what we have been reporting, which we have been indicating on the slides, which represents more than we expected for the year, and for the whole year of 2013.

When you speak about acquisition costs growth, on average, I believe that it's worth it to observe that this has happened occasionally, this is based on the health line number which is virtually the same and for auto it was very much a question of reclassification of expenses than a change in our policy, which has been unchanged. So, in fact, this reclassification of expenses and these expenses impact the acquisition costs line, but the final result is not changed, actually the opposite has happened, it is better.

Also, we had amortized a portion of the policy issuance costs as revenues that were written previously and were already classified as a reduction of acquisition costs during 2013. Therefore, now we do not have this effect any longer as a reduction of these costs.

With respect to the health loss ratio, I will ask Mauricio to comment.

Mauricio Lopes:

Good morning. I think what we find with respect to health last year is a movement of stability downwards and not a growth of the loss ratio.

Lower loss ratios can be observed by two mechanisms: price increases, as you noted, and the other which is work to reduce claims and health management.

The sensation that we have is that, aside from the price readjustments that were made during the last year, which have two specific components, the variation of VCMH (medical and hospital cost inflation) and a higher loss ratio, the VCMH was a little higher in the last year than we imagined in our first forecast. We have found that the loss ratio has been relatively in line, with a slight decline, but not an abrupt decline, as maybe we would have hoped.

We have our provision for the VCMH this year, which we have been working on, and we are already including the figures in our price readjustments, and already disclosed some to the market, as in the case of the SME portfolio, which already provides us with a sense of what to expect for the VCMH this year.

So, the question which you ask me, we do not think that frequency will grow indefinitely and could be in a period of correction and normalization of the loss ratio. We believe that frequency is not something that goes up indefinitely.



Gustavo Lobo, BTG Pactual:

Good morning. I would like to go back in little bit to the Capitalization just to understand a little bit more about the seasonality of this product. And then, I would like to say not only what you have is operating profit from capitalization, but also what is the equity income, which was strong in 4Q and now a drop in the 1Q, and if I was to compare this with the level of the 2Q and 3Q, there was a drop as well.

So, I would like to understand this equity income level of 8.5. So, could you tell us what is happening? What about the seasonality of this product?

Arthur Farne d'Amoed Neto:

Well, Gustavo, you must understand now this quarter maybe as recurring revenue, if you look at 3Q13, it roughly at this level. In the 4Q, as you highlighted, the normal level is a reduction of this line, if you remember we said that we had an asset sale that was the land that came with SulaCap. This sale was completed in December, if you consider that it reflects the basic interest rate that was observed, and we do not expect other relevant impacts regarding large assets.

The recurring level is this and you are seeing this in the 1Q.

Gustavo Lobo:

Ok, thank you. And the second question is about the expenses, you had good performance this quarter, but you could not compare the segments because you did not have capitalization before.

Looking forward, could this be a recurring level, the expense level dropped structurally comparing with your premiums level or do you expect acceleration during the year?

Arthur Farne d'Amoed Neto:

No, I think that this level that we have published now for the 1Q will continue and is a level we should expect for the year. We don't have anything in our horizon that would negatively impact this level that is expected for the future.

Gustavo Lobo:

OK. Thank you.

Francisco Kops, Safra:

Thank you for accepting one more question. This will be quick. Your financial performance was good this quarter. I would like to know what we can expect for the rest of the year, especially looking at the future interest rate curves. Your allocation of



investments in IPCA and pre-fixed changed? Is that the same as in the 1Q? What are your thoughts about this? What can we expect for future financial results? Thank you.

Marcelo Mello:

This IPCA and pre- portfolio is connected to the ALM of the companies and the idea is to maintain it. The pre- portfolio is smaller and the IPCA is larger with a relevant composition, which is being favored by high inflation levels and should continue high. We do not expect a significant change in this portfolio since it is linked to the ALM.

Francisco Kops:

In summary, do you not benefit from the mark-to-market of the price of the security, it is the interest rate, right? So, the NTN-B is paying 12.5%, it pays above Selic, but the variation does not impact the result.

Marcelo Mello:

Variation of the mark-to-market, no, but you do have an impact of the increased inflation.

Francisco Kops:

Thank you.

Operator:

As there are no more questions, I would like to ask Mr. Gabriel Portella, CEO of SulAmérica for his final remarks.

Gabriel Portella Fagundes Filho:

Thank you very much. I would like to take advantage of this opportunity, in that we have a large number of executives and employees listening to this call. So, thank you all for your professionalism, and commitment. Remember that the Investor Relations area is available, as always, at your disposal after the call. Thank you very much, and have a good day.

Operator:

So, SulAmérica's call is now closed. Thank you very much, and have a good day.



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