

INSURANCE IN PORTUGAL

INSURANCE MARKET
OVERVIEW 18/19



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ABOUT THE PORTUGUESE ASSOCIATION OF INSURERS (APS)

APS, WHICH WAS FOUNDED IN 1982, IS A NON-PROFIT ASSOCIATION OF THE INSURANCE AND REINSURANCE COMPANIES OPERATING IN THE PORTUGUESE MARKET, IRRESPECTIVE OF THEIR LEGAL NATURE OR COUNTRY OF ORIGIN.

THE MEMBERS OF APS PRESENTLY ACCOUNT FOR 99% OF THE INSURANCE MARKET IN TERMS OF BUSINESS TURNOVER AND HUMAN RESOURCES EMPLOYED BY THE SECTOR.

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INSURANCE IN PORTUGAL

In 2018, the Portuguese economy witnessed a real output growth 2,4%, and the fifth consecutive year of economic expansion.

Monetary and financial conditions thus played an ongoing role for this economic dynamism, in particular the European Central Bank monetary policy which continued to provide a favourable environment for the Eurozone economies.

Nonetheless, growth in economic activity in Portugal slowed compared to 2017, against a background of a general slowdown in the euro area in line with a deterioration in the global external environment associated in particular with fears of a surge in protectionism.

In the case of the Portuguese economy, the slowdown compared to the previous year was driven by lower growth in exports and, to a lesser extent, corporate investment. By contrast, private consumption continued to grow at a robust pace in a scenario of favourable labour market conditions and a substantial fall in the unemployment rate and an upward, albeit moderate, wage pressure.

However, the household savings rate remained at historically low levels. The evolution of savings has been dependent on the resumption of private consumption towards a path compatible with greater household economic well-being assisted by a moderate change in available income.

The impacts of the evolution of the national and international economic and financial environment also extended naturally to the insurance sector.

Total direct insurance production in the Portuguese market retained in 2018 a positive evolutionary profile of over 12,9 billion euros, which represents a growth of +11,8 % compared to the previous year.

Non-Life lines of business, traditionally more dependent on the evolution of economic activity and labour market, also saw a positive evolution in the production of direct insurance (+7,5%) thus witnessing the highest annual growth rate since 2004. The evolution of the Non-Life segment's overall result was even more significant and grew from 78 million euros in 2017 to about 177 million euros at the end of 2018. However, the evolution of the Life segment was undoubtedly still the main catalyst for the increase in the whole of this sector. Despite a new drop in the household savings rate, in 2018 production in this

segment grew for the second consecutive year, but at a pace more than twice as high (+14,5% against +6,2% in 2017). In the opposite direction, the result of the Life technical account evolved and stood at 378 million euros, or -13,3% compared to 2017.



NET
INCOME
56 365
Millions of Euros

NET
ASSETS
466
Millions of
Euros

/ MAJOR AGREGATES

	2016	2017	2018	+17/16	+18/17
Nr. of Companies	73	73	76	0,0%	4,1%
Nr. of Employees	10 575	10 130	10 148	-4,2%	0,2%
Nr. of Brokers	21 426	20 258	18 999	-5,5%	-6,2%
Net Assets	53 791	56 651	56 365	5,3%	-0,5%
Investment Assets	50 602	53 244	52 807	5,2%	-0,8%
Own Funds (Equity)	5 389	5 957	5 339	10,5%	-10,4%
Direct Insurance Premiums	10 876	11 580	12 942	6,5%	11,8%
Life Business	6 676	7 090	8 115	6,2%	14,5%
Non-Life Business	4 200	4 490	4 827	6,9%	7,5%
Results for the Year	82	347	466	325,0%	34,4%
Life Technical Account	128	436	378	240,3%	-13,3%
Non-Life Technical Account	-9	78	177	-953,2%	127,7%
Non-Technical Account	-37	-167	-89	346,1%	-46,7%
Equity / Net Assets	10,0%	10,5%	9,5%	0,5 p.p.	-1,0 p.p.
Results / Equity	1,5%	5,8%	8,7%	4,3 p.p.	2,9 p.p.

U: Million Euros | Sources: APS - Portuguese Association of Insurers, ASF - Portuguese Insurance and Pension Funds Supervisory Authority, BdP - Bank of Portugal and INE - National Statistics Institute.

/ PRODUÇÃO VIDA E NÃO VIDA

	2016	2017	2018	CHANGE (in %)	CHANGE (in absolute terms)		
	2016	2017	2018	+17/16	+18/17	+17/16	+18/17
TOTAL (LIFE AND NON-LIFE)	10 876	11 580	12 942	6,5%	11,8%	704	1 362
TOTAL LIFE	6 676	7 090	8 115	6,2%	14,5%	413	1 026
Life Insurance	4 990	4 902	6 347	-1,8%	29,5%	-89	1 446
Insurance linked to Investment Funds	1 686	2 187	1 767	29,7%	-19,2%	501	-419
Capitalisation Operations	0	1	1	64109%	-40,7%	1	-1
TOTAL NON-LIFE	4 200	4 490	4 827	6,9%	7,5%	290	337
Accidents & Health	1 482	1 634	1 789	10,3%	9,5%	152	155
Workmen's Compensation	624	705	801	13,0%	13,5%	81	95
Health	694	751	807	8,3%	7,4%	58	56
Fire & Other Damage	779	802	848	3,0%	5,7%	23	46
Motor	1 528	1 610	1 719	5,4%	6,8%	82	109
Transport, General Third-party Liability & Sundry	411	444	470	7,9%	6,0%	32	27

U: Million Euros | Source: ASF Tables (Provisional_Data_ES)



76

NUMBER OF COMPANIES



10 148

NUMBER OF EMPLOYEES



18 999

NUMBER OF BROKERS


12 942
DIRECT
INSURANCE
PREMIUMS
↑ 11,8%

Million Euros


8 115
LIFE
BUSINESS
↑ 14,5%

4 827
NON-LIFE
BUSINESS
↑ 7,5%

INSURANCE AND SOCIETY

The increase of direct insurance premium volume has resulted in the growth of the indicator that measures the penetration of the sector in the economy (premium over Gross Domestic Product - GDP) of about +0.5 pp, which stood at 6.4% at the end of 2018. This evolution is mainly explained by the increase in Life branch penetration (4.0% in 2018, compared to 3.6% in 2017), but also, albeit underweight, by the increase in Non-Life insurance penetration of +0.1 pp to 2.4%.

Further evidence of the presence and importance of insurance activity for the economy is the role of institutional investor taken by the insurance industry.

At the end of 2018, the total investment portfolio of this sector amounted to more than 53 billion euros

(about 26% of GDP), which again puts the insurance sector at the top of institutional investors in Portugal. However, rather than the size of the business, insurance activity stands out from other economic activities for its strong intervention in areas of obvious social interest, such as the protection of people and property and the management of savers' savings. In addition, the sector plays an important role in promoting economic development, in particular through medium- and long-term financing to the State and the private business sector.

And thanks to the careful and efficient management of its investments' portfolio and the results generated by it, the insurance sector is able to annually return to society all – or even more – of the premiums collected from policyholders.

Thus, if we add to the value of premiums issued the amount corresponding to the stamp duty of policies and the parafiscal charge associated with the insurance premiums, we reach the conclusion that the total cost borne by policyholders with insurance contracts in the Portuguese market, in 2018 rose to around 13,5 billion euros.

A substantial part of these premiums – 11,2 billion euros – has since then been returned to policyholders and other beneficiaries by way of compensation payments, provision for future payments related to insured events and the establishment and reinforcement of responsibilities liabilities associated to long term savings of the Portuguese.

In addition, and ignoring both the VAT incurred on

goods and services, including claims settlement and the IRS withheld on savings income and employment wages, the sector delivered to the State or institutions under its authority, the National Authority for Civil Protection, the National Institute of Medical Emergency, the Motor Guarantee Fund and the Workmen's Compensation Fund) slightly more than 0,8 billion euros corresponding to income taxes, parafiscal charges incurred by the insurers and taxes and parafiscal charges borne by the insured.

On the other hand, in terms of costs with around 10,000 employees and commissions paid to the more than 19,000 insurance intermediaries over 1,2 billion euros were also spent, which are at the heart or are an important income support for this percentage of the Portuguese population.

Finally, more than 0,5 billion euros were allocated to shareholders corresponding to the results generated by this activity, as a return on invested capital.

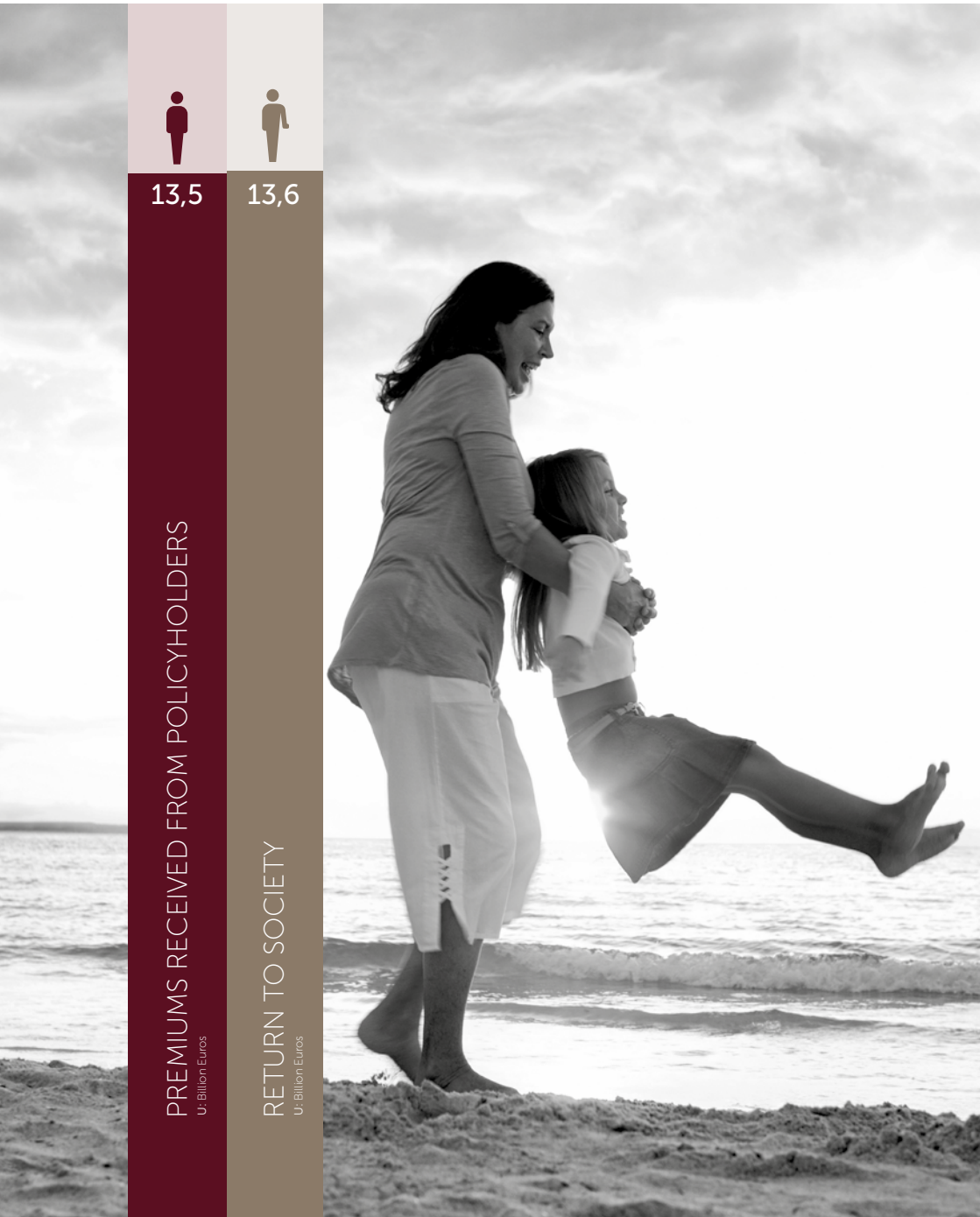
In conclusion, as a whole, the insurance sector ended up returning to society about 13,6 billion euros in 2018, that is, an amount slightly higher than the overall amount received from policyholders as premiums and respective tax and parafiscal costs.

/ INDICATORS					
	2016	2017	2018	+17/16	+18/17
Investment Assets / GDP	27,1%	27,2%	25,9%	0,0 p.p.	-1,3 p.p.
D. I. Premiums / GDP	5,9%	5,9%	6,4%	0,0 p.p.	0,5 p.p.
Life Business	3,6%	3,6%	4,0%	0,0 p.p.	0,4 p.p.
Non-Life Business	2,3%	2,3%	2,4%	0,0 p.p.	0,1 p.p.
D. I. Premiums / Nr Inhabitants (Euros)	1 057	1 127	1 261	6,6%	12,0%
Life Business	649	690	791	6,4%	14,7%
Non-Life Business	408	437	470	7,1%	7,7%

Sources: APS, BdP and INE.

/ INSTITUTIONAL INVESTORS' PORTFOLIO						
	2016	2017	2018	2016	2017	2018
Mutual Funds & Money Market	11 101	11.292	11 221	12,4%	11,9%	11,9%
Real-Estate Funds	9 113	10.787	10 639	10,2%	11,3%	11,3%
Pension Funds	18 468	19.757	19 377	20,7%	20,8%	20,6%
Insurance companies	50 602	53.244	52 807	56,7%	56,0%	56,2%
TOTAL	89 283	95 080	94 044	100,0%	100,0%	100,0%

U: Million Euros | Sources: APS, BdP, ASF, APFIPP - Portuguese Association of Investment Funds, Pension Funds and Asset Management and CMVM - Portuguese Securities Market Commission.



13,5



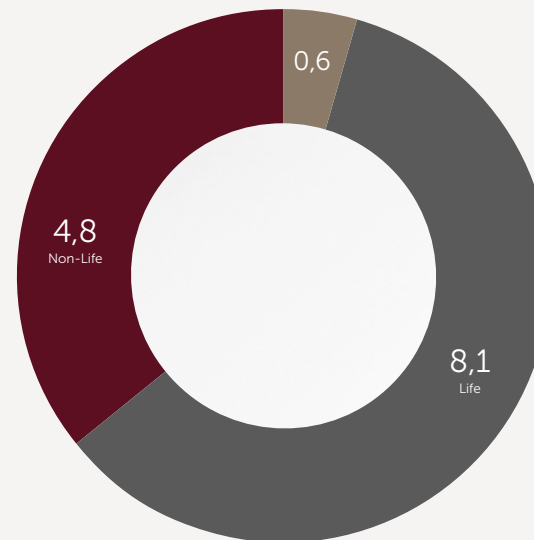
13,6

PREMIUMS RECEIVED FROM POLICYHOLDERS

U: Billion Euros

RETURN TO SOCIETY

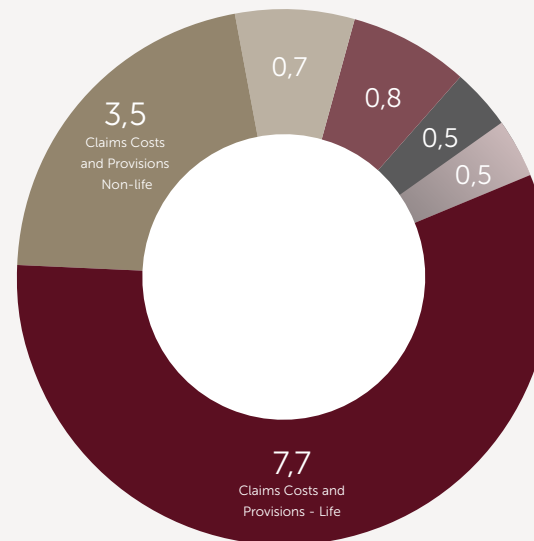
U: Billion Euros



PREMIUMS RECEIVED FROM POLICYHOLDERS

U: Billion Euros

- Life Premiums 8,1
- Non-Life Premiums 4,8
- Taxes & Charge 0,6



RETURN TO SOCIETY

U: Billion Euros

- Claims Costs and Provisions - Life 8
- Claims Costs and Provisions - Non-Life 3,5
- Brokers' Commission 1
- Taxes & Charges 1
- Staff Costs 1
- Assigned to Equityholders 0

EUROPEAN INSURANCE MARKET

/ DIRECT INSURANCE PRODUCTION - EUROPEAN UNION

GROSS PREMIUMS WRITTEN | STRUCTURE^(a)

	LIFE 2018		NON-LIFE 2018		TOTAL 2018	
United Kingdom	236	26,4%	101	16,7%	337	22,5%
France	165	18,5%	93	15,4%	258	17,2%
Germany	96	10,8%	145	24,0%	241	16,1%
Italy	125	14,1%	45	7,4%	170	11,4%
Netherlands	16	1,8%	69	11,3%	84	5,6%
Spain	34	3,8%	40	6,6%	74	5,0%
Portugal	10	1,1%	6	1,0%	16	1,0%
TOTAL UE	891	100%	605	100%	1.496	100%

U: USD Billion | Source: Sigma - Swiss Re | (a) Provisional Data

/ INSURANCE MARKETS IN THE EUROPEAN UNION - PENETRATION

INSURANCE MARKETS IN THE EUROPEAN UNION - PENETRATION/GDP^(a)

	LIFE 2018		NON-LIFE 2018		TOTAL 2018	
United Kingdom	3 532	8,3%	971	2,3%	4 503	10,6%
France	2 370	5,8%	1 296	3,1%	3 667	8,9%
Germany	1 161	2,4%	1 747	3,6%	2 908	6,0%
Italy	2 110	6,2%	742	2,2%	2 852	8,3%
Netherlands	913	1,7%	3 977	7,5%	4 890	9,2%
Spain	732	2,4%	857	2,8%	1 588	5,2%
Portugal	934	4,0%	556	2,4%	1 490	6,4%
TOTAL UE	1 592	4,4%	1 063	2,9%	2 655	7,3%

U: USD | Source: Sigma - Swiss Re | (a) Provisional data

In 2018 the volume of premiums of the European Union (EU) member countries witnessed a significant growth (+10,1%) to values close to 1.496 billion USD. This increase in production is the result of substantial growth in both Life (+10,5%) and Non-Life (+9,6%) segments.

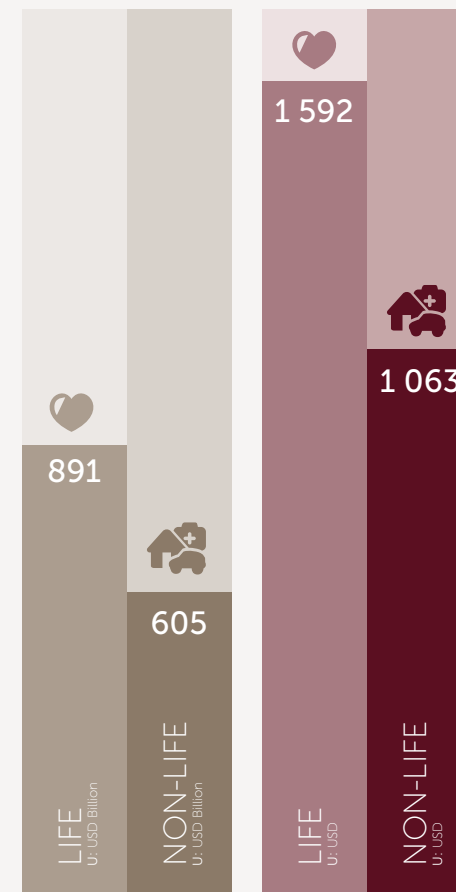
With particularly developed Life segments, the English and French insurance markets continue to be the largest in the European Union, with shares of 22,5% and 17,2%, respectively. The German market follows, the third largest in overall terms (with a share of 16,1%) but still the largest in the Non-Life segment accounting for more than 22,8% of the European market.

In this ranking, Portugal continues to take an intermediate position among EU markets and maintained the share already witnessed in 2017 (1%).

As for the premium-to-GDP ratio, this indicator grew in the Portuguese market (6,4% in 2018, against 6,0% in 2017), thereby reducing the gap as to the average of this indicator for all EU countries (7,3%). When compared to major European markets, Portugal shows, for this indicator, a value above that witnessed both in Germany (6,0%) and in the Spanish market (5,2%).

/ INSURANCE MARKETS IN THE EUROPEAN UNION PRODUCTION / PENETRATION

■ Gross Premiums Written | Total
■ Per Capita Premiums | Total



3 STRUCTURE OF THE MARKET

The year 2018 saw significant changes in the structure of the sector, not only due to the growth in the total number of companies operating in Portugal (from 73 to 76), but also, and mainly, given the growing weight of EC General Insurance Companies (entities not under the prudential supervision of the ASF - Portuguese Insurance and Pension Funds Supervisory Authority), either as regards their number (+5 than in December 2017 to a total of 35) or the turnover they represent (9,4% in 2018, against 7,6% in 2017).

On the other hand, it's worth mentioning that 2018 was a particularly busy year in terms of corporate restructuring of the sector (mergers, acquisitions and relocation of head offices), which also justifies part of the movements witnessed, particularly as regards public limited companies.

/ COMPOSITION OF THE MARKET

	2016	2017	2018
Limited liability companies	42	42	40
National	17	17	16
Foreign ^(a)	25	25	24
Mutuals	1	1	1
General Agencies	30	30	35
Community	30	30	35
Non-Community	0	0	0
TOTAL	73	73	76
Community in FPS (Free Provision of Services) ^(b)	570	540	568

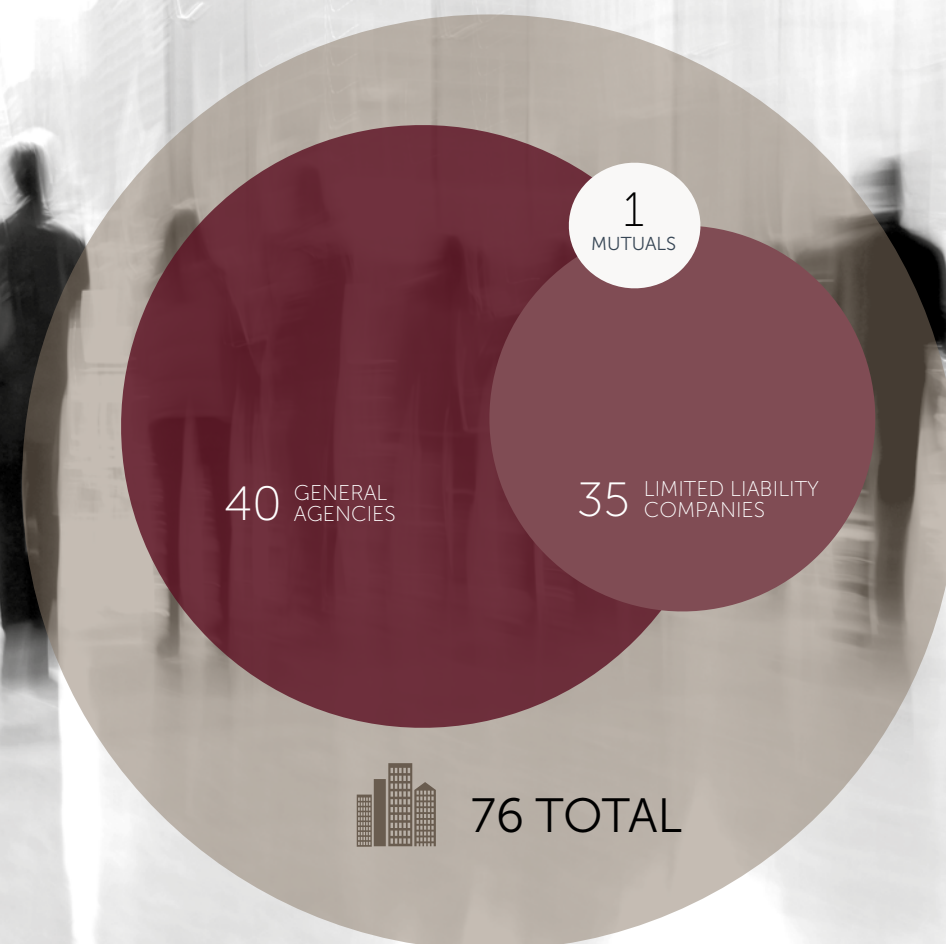
Source: ASF and APS | (a) Held directly by foreign entities with a majority stake; | (b) Head offices or branches of companies based in other Member States that reported for the year in FPS in Portugal.

/ TOTAL PRODUCTION (LIFE AND NON-LIFE)

	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
Limited liability companies	1 208	93,9%	10 693	92,3%	11 713	90,5%
Mutuals	9	0,1%	9	0,1%	9	0,1%
General Agencies	660	6,1%	878	7,6%	1 220	9,4%
TOTAL	10 876	100%	11 580	100,0%	12 942	100%

U: Million Euros | Source: ASF Tables (Provisional_Data_ES)

/ COMPOSITION OF THE MARKET



FINANCIAL DIMENSION AND RESULTS

Information received by APS regarding the 2018 insurance sector accounts points to an aggregate result, calculated by extrapolation from a sample of 93,2% of +466 million euros (+34,4% year-on-year).

In this particularly favourable economic context, the vast majority of insurance companies in this sample (32 out of 42) witnessed positive results in 2018 and more than half the companies (23) even showed a positive evolution in the value of their net results when compared to 2017.

Taking a closer look at the results of the sector we can see that, considering that the Life segment technical account fell (-13,3%), the Non-Life segment was largely responsible for the growth of the sector's aggregate result in 2018.

In fact, the Non-Life segment saw a substantial increase in its technical result, moving from 78 million euros in 2017 to 177 million euros, a year-on-year change of more than +99 million euros. This result from the Non-Life technical account is the highest since the entry into force of the new chart of accounts in 2008 (and it was exactly in 2008 that the closest

figure was witnessed: 155 million euros).

As for the Life segment, the result of its technical account was 378 million euros, which represents a -58 million euros drop compared to 2017.

Despite the significant growth in production in 2018 (+14,5%) and a moderate evolution in claims costs (+5%), the fact is that the technical component of the Life segment result has deteriorated, year-on-year, by -68 million euros (-226 million euros in 2018, compared to -157 million euros in 2017). In turn, the evolution of the financial component of the result (+10 million euros on a total of 604 million euros) was not enough to fully offset the drop in the technical component. Albeit positive, the evolution of the financial component was not immune to the strong volatility witnessed in financial markets during 2018, particularly at the end of the year.

Finally, a note for the result of the Non-Technical account that also witnessed a positive development compared to 2017: the result went from -167 million euros in 2017 to about -89 million euros in 2018. In December 2018, the insurance industry's aggregate

/ FINANCIAL RESULTS VS TECHNICAL RESULTS

	TECHNICAL COMPONENT			FINANCIAL COMPONENT			TOTAL RESULT		
	2017	2018	Absolute Var.	2017	2018	Absolute Var.	2017	2018	Absolute Var.
Life Technical Account	-157	-226	-68	593	604	10	436	378	-58
Non-Life Technical Account	-169	-24	145	247	200	-46	78	177	99
Non-Technical Account				-167	-89	78	-167	-89	78
TOTAL	-326	-249	77	673	715	42	347	466	119

U: Million Euros

*Data taken from the report "Costs with Claims (Monthly - Aggregate)" for December 2018

net assets reached around EUR 56.4 billion, which represents a very slight decrease compared to the same period of 2017 (-0.5%).

Conversely, there was a +0,7% change in the value of liabilities, from 50,7 billion euros in 2017 to slightly above 51 billion euros at the end of 2018. This evolution can largely be attributed to the growth of close to +366 million euros in the value of Life segment technical liabilities (which include Technical Provisions and Financial Liabilities).

In light of the developments witnessed on both the asset and liability side, the sector's total equity

inevitably fell by around -618 million euros (-10,4%).

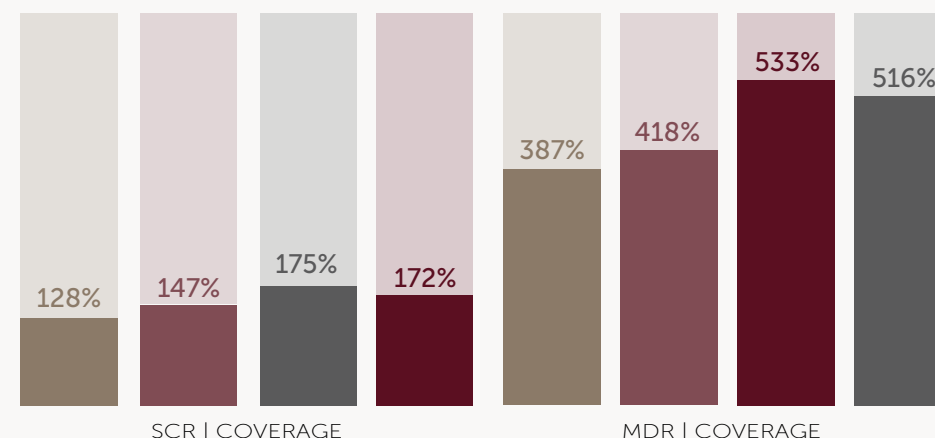
This evolution of equity contributed clearly to the decrease in the value of the sector's Solvency Capital Requirement (SCR) coverage ratio which, at the end of 2018, was 172%, a decrease of -3 pp compared to December. 2017.

Also the minimum capital requirement (MCR) coverage ratio declined to 516% (533% at the end of 2017), which still means that the available capital to cover the minimum capital requirements under the new prudential regime were, in December 2018, more than five times the legally required.

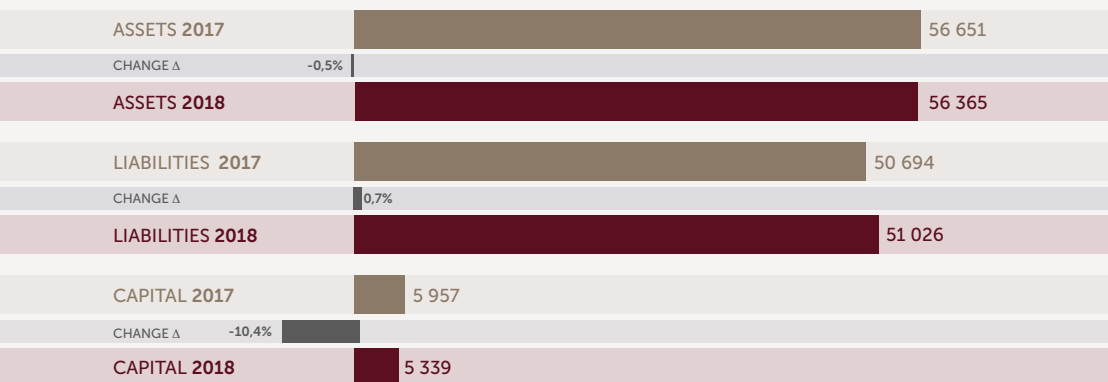
/ SOLVENCY RATIO (SOLVENCY II)

Opening (01.01.2016) 31.12.2016 31.12.2017 31.12.2018

U: Percentage | Source: ASF

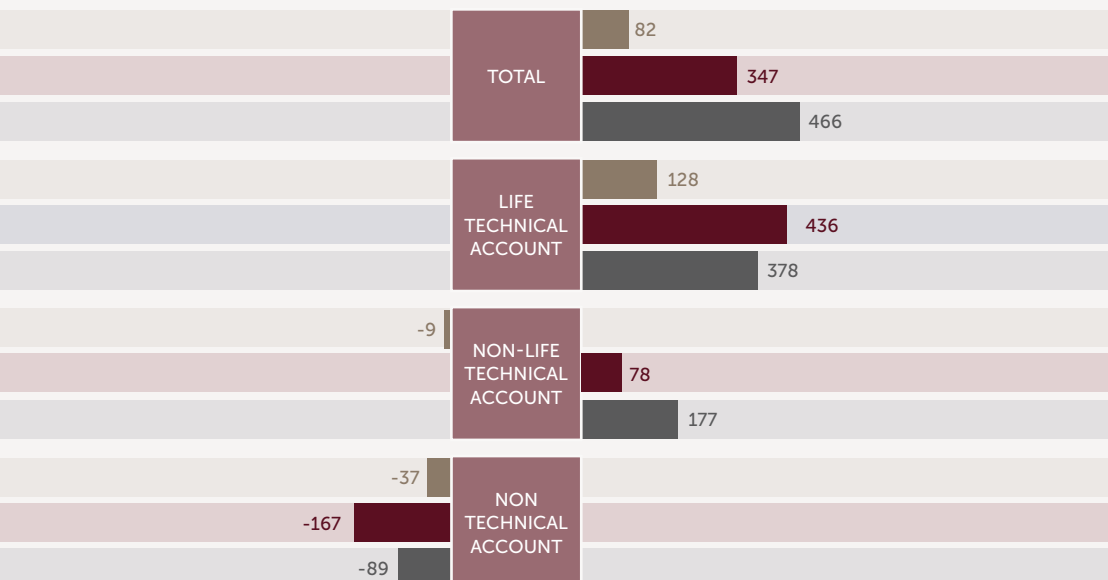


/ BALANCE OF INSURANCE BUSINESS



U: Million Euros | Note: Extrapolated data

/ TECHNICAL ACCOUNTS RESULTS



U: Million Euros | Note: Extrapolated data

■ 2016 ■ 2017 ■ 2018

INVESTMENTS

In December 2018, the total value of the insurance sector's investment portfolio was around 52,8 billion euros, that is -0,8% over the same period of 2017.

This decline is perfectly explained by the evolution of the non-allocated asset portfolio which, despite having a small weight in the total portfolio, fell by -22% (-615 million euros compared to 2017).

The investment portfolio allocated to Life segment liabilities remained broadly unchanged year-on-year, slightly above 46,5 million euros, despite strong growth in the segment production (+14,5%) and moderate increase in claims costs (+5,0%).

The portfolio allocated to the Non-Life segment saw an increase in the value of assets of around +1,7%.

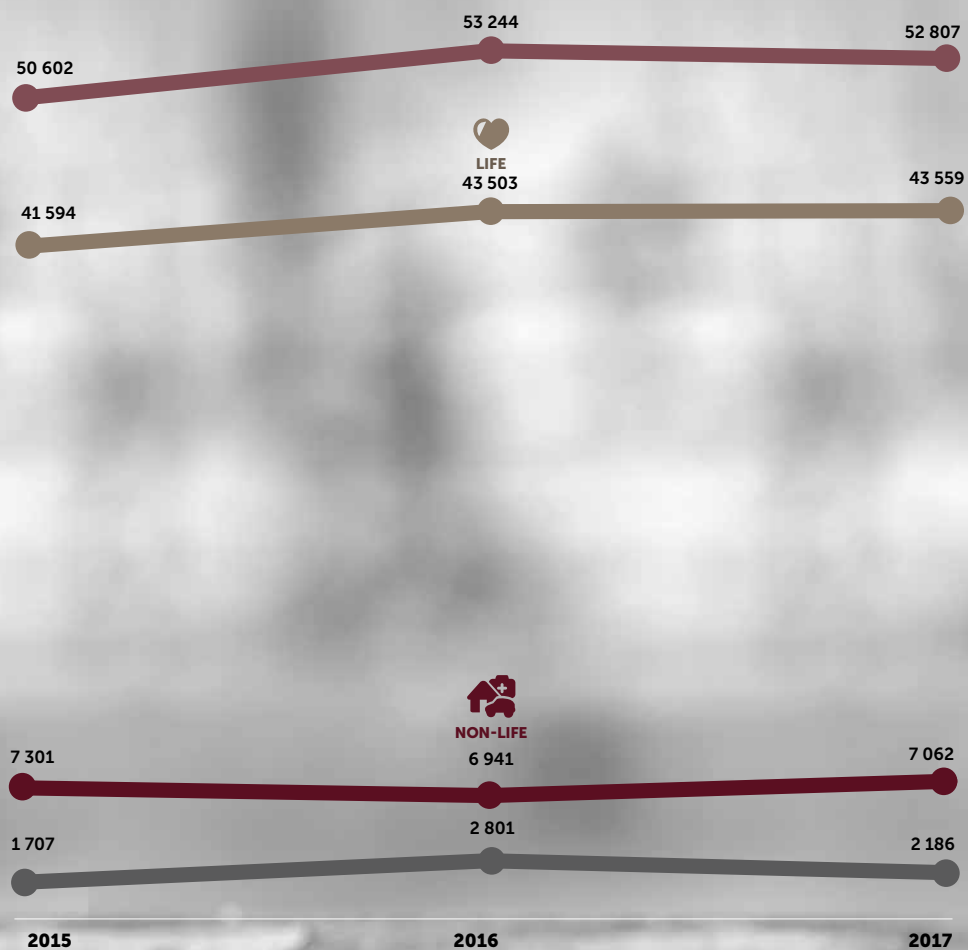
Finally, as regards the type of portfolio assets, we see that the largest share of the sector's investments continues to be invested in bonds (68,9%) but witnessed nonetheless a further structural decrease of -1,3 pp compared to 2017 and reached a total volume of 36,4 billion euros at the end of 2018, of which 22,4 million euros correspond to public debt (42,5% of the total investment portfolio).



/ EVOLUTION OF THE INVESTMENT PORTFOLIO

■ TOTAL ■ Life ■ Non-Life ■ Not assigned

U: Million Euros | Source: ASF Tables (Investments_ES) | Note: Data extrapolated.



/ ASSET PORTFOLIO COMPOSITION - ASSET TYPE

Source: ASF Tables (Investments_ES and Investments_PPR)



Investment Funds 11,5%
 Structured Products 0,6%
 Private Entities Debt 26,4%
 Other Assets 1,1%
 State Debt 42,5%
 Real Estate 1,1%
 Deposits (Banks) 10,7%
 Equities 6,3%
 Derivates -0,1%



DISTRIBUTION CHANNELS

In 2018 the structure of the insurance sector distribution channels underwent significant changes that are not indifferent to the publication of the new insurance distribution legal regime (approved in January 2019, but which had retroactive effect on 1 October 2018).

This law, among other amendments, is here to qualify "new" types of intermediaries and some companies have already reflected, in 2018 information, the change in classification of credit institutions within the category of linked intermediaries to the category of insurance agents.

The "Agents" channel is now the most relevant distribution channel in the total market with almost 40% of the premium volume distributed (it was only 28,4% in 2017), and the "Type I Connected Mediators" moved to the second position in this ranking with a weight of 37,1% in 2018.

This structural change was particularly witnessed in the Life segment, where "Agents" went from a 13,2% share to almost 30%, which is not surprising given the weight of the banking channel in marketing

this segment (80% in 2018, an increase of +0,7 pp compared to 2017). In this segment, the expansion of the "Agents" channel occurred largely at the expense of the "Tied Mediators - Type II" channel, which fell -14,3 pp between 2017 and 2018.

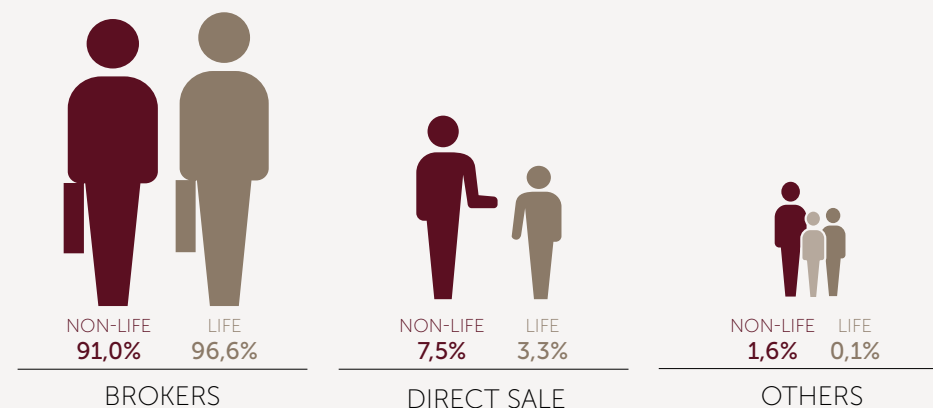
The distribution structure of the Non-Life segment was also affected by this new reality. However, the impacts were substantially smaller as the banking channel takes on a relatively low structural weight in the distribution of this segment (less than 17%) and "Agents" traditionally ensure more than half of it. Still, the "Agents" channel has witnessed a growth of around +5 pp (from 52% in 2017 to 57% in 2018), in this case at the expense of "Type I Tied Mediators" who saw their weight fall by -4,7 pp year-on-year.

Apart from the transformation induced by the legal changes identified above there was only a decrease in the weight of "Direct Selling" channels was witnessed in both the Life segment (from 3.5% to 3.3% in 2018) and Non-Life segment (from 8.1% to 7.5%).

/ STRUCTURE OF THE DISTRIBUTION CHANNELS

	NON-LIFE		LIFE		TOTAL	
	2017	2018	2017	2018	2017	2018
Brokers	90,7%	91,0%	95,9%	96,6%	93,8%	94,5%
Tied - Type I	16,5%	11,8%	53,6%	52,2%	39,1%	37,1%
Tied - Type II	2,1%	2,0%	27,5%	13,2%	17,6%	9,0%
Insurance brokers	19,7%	19,8%	1,6%	1,6%	8,7%	8,4%
Agents	52,2%	57,3%	13,2%	29,6%	28,4%	39,9%
Reinsurance	0,1%	0,1%	0,0%	0,0%	0,0%	0,0%
Of which: Banks	16,5%	16,4%	79,3%	80,0%	54,8%	56,3%
Of which: CTT (Post Office)	0,0%	0,0%	0,1%	1,5%	0,1%	0,9%
Direct Sale	8,1%	7,5%	3,5%	3,3%	5,3%	4,9%
Branches	5,8%	5,3%	3,5%	3,3%	4,4%	4,0%
Internet	0,5%	0,6%	0,0%	0,0%	0,2%	0,2%
Telephone	1,8%	1,6%	0,0%	0,0%	0,7%	0,6%
Others	1,2%	1,6%	0,6%	0,1%	0,8%	0,7%
TOTAL	100%	100%	100%	100%	100%	100%

Sources: ASF Tables (Notes_ES) and APS



TAXATION

Another evidence of the relevance of the insurance sector for the economy pertains to its contribution to national public finances, reflected through taxes borne or collected within the scope of its activity.

Thus, taking only into account stamp duty of policies premiums issued, corporate tax incurred by the insurers and para-fiscal taxes to be paid by the insured and insurers we estimate that the conclusion that fiscal and para-fiscal revenue generated by this activity rose in 2018 to around 759 million euros. This amount is equivalent to 5,8% of total direct insurance production, or 15,5% if only Non-Life premiums are considered, on

which most of this burden falls onto.

Finally, it's worth mentioning that compared to the figures presented here, it is estimated that in 2018 the insurance sector (including withholding income tax) accounted for almost 1,5% of the total national tax revenue (direct and indirect taxes) and for just over 2% of corporate tax revenue .

³ Ratios calculated based on the information contained in the "State General Account for 2018" published by the General Directorate of State Budget.

/ TAXES & PARA-FISCAL BURDEN

	2016	2017	2018 ^(e)	+17/16	+18/17
FOR THE ACCOUNT OF POLICYHOLDERS					
Policy Stamp	318,6	338,3	362,5	6,2%	7,1%
Motor Guarantee Fund (MGF)	25,1	26,3	28,0	4,9%	6,5%
Workmen's Compensation Fund (WCF)	72,2	75,2	79,5	4,2%	5,8%
National Civil Defence Authority	27,3	26,8	22,7	-2,0%	-15,2%
National Medical Emergency Institute (INEM)	99,4	106,8	111,0	7,4%	3,9%
Sub-Total	542,5	573,3	603,6	5,7%	5,3%
FOR THE INSURER'S ACCOUNT					
Third-party Certificate (Motor Policies)	5,3	5,5	5,8	3,6%	4,2%
Portuguese Insurance Supervisory Authority (ASF)	15,5	15,6	16,5	0,9%	5,4%
Workmen's Compensation Fund (WCF)	7,9	8,4	9,3	5,3%	11,8%
Corporate Tax (IRC) and Surcharge	174,4	158,1	123,2	-9,3%	-22,1%
Sub-Total	203,2	187,7	154,8	-7,6%	-17,5%
TOTAL	745,7	761,0	758,5	2,0%	-0,3%

RATIOS	2016	2017	2018 ^(e)	+17/16	+18/17
RC Rate (IRC and Surcharge/Gross Op. Profit)	154,8%	31,8%	17,5%	-123,0 p.p.	-14,3 p.p.
Tax and Para-fiscal Burden / Direct Ins. Premiums	6,8%	6,5%	5,8%	-0,3 p.p.	-0,7 p.p.
Policyholders	4,9%	4,9%	4,6%	0,0 p.p.	-0,3 p.p.
Insurers	1,8%	1,6%	1,2%	-0,2 p.p.	-0,4 p.p.
Tax & Para-fiscal Burden / Non-Life Direct Ins. Premiums	17,5%	16,7%	15,5%	-0,8 p.p.	-1,2 p.p.

U: Million Euros | Note: These figures are APS estimates, except for the WCF (total) and MGF, taken from their reports. Not including amounts in respect of VAT and personal income tax (IRS) withheld. | (e) Estimated values by APS.

○ LIFE SEGMENT



After two years of sharp decline (-17,0% in 2015 and -23,0% in 2016), 2018 consolidated the recovery of production already witnessed in the previous year. In fact, production in this segment increased by +14,5% compared to 2017, from 7,1 to 8,1 billion euros, now representing 63% of total sector output (+1,5 pp compared to 2017).

Among the Life modalities, once again, we highlight the Retirement Savings Plans (PPR), whose contributions reached a total of 3,5 billion euros, +55,5% compared to 2017. This is the highest value

ever in this modality, and for almost 10 years there has been no production of PPR's above 3 billion euros (in 2010 it was EUR 3,2 billion euros).

Non-tied insurance (non-PPR) also grew, albeit more moderately, during 2018 (+9,8%), reversing the downward trend witnessed since 2015. This fact may reflect savers' growing concern about the stability of their investments as these products typically incorporate capital and/or income guarantees that are complemented by profit sharing.

/ LIFE PORTFOLIO ^(a)								
	DIRECT INSURANCE PRODUCTION			CHANGE		STRUCTURE		
	2016	2017	2018	+17/16	+18/17	2016	2017	2018
Annuities Contracts	147	183	143	24,4%	-21,7%	2,3%	2,8%	1,9%
Lifetime Annuity	60	40	49	-32,9%	22,1%	0,9%	0,6%	0,6%
Term Insurance Contracts	826	829	834	0,3%	0,6%	12,8%	12,5%	10,9%
Retirement Saving Plan (PPR)	1 700	2 206	3 434	29,7%	55,7%	26,4%	33,3%	44,9%
Endowment Insurance (excluding PPR)	3 691	3 346	3 175	-9,3%	-5,1%	57,4%	50,5%	41,6%
Other Capital Contracts (excluding PPR)	68	63	54	-7,4%	-13,8%	1,1%	0,9%	0,7%
Capitalisation Contracts	0	1	1	-	-40,6%	0,0%	0,0%	0,0%
TOTAL GLOBAL	6 432	6 628	7 641	3,0%	15,3%	100,0%	100,0%	100,0%
INDIVIDUAL CONTRACTS	4 846	5 109	6 119	5,4%	19,8%	75,3%	77,1%	80,1%
GROUP CONTRACTS	1 586	1 519	1 523	-4,3%	0,2%	24,7%	22,9%	19,9%
Sample:	96,2%	93,5%	90,9%					

U: Million Euros | (a) ASF Tables (Atécnica Vida). Sample Values (Not Extrapolated).

In contrast, Non-Investment Fund (non-PPR) insurance decreased by -28,3% (-513 million euros) from 2017 to 2018.

An analysis of the amounts paid in 2018 points to an increase in their overall value (+2,8%), which is justified by the substantial growth witnessed in maturities (+27,4%). In fact, there was a fall in the amounts paid for all other causes of claims costs. As a result, payments "Per maturity" became the most relevant cause (45% of the total), thus exceeding payments "By redemptions/refunds", which in turn moved to second place in this ranking with 44,7% of the total.

In a context of increased production and lower amounts paid, it is not surprising that there is an increase in the volume of liabilities in the Life segment. At the end of 2018, the total (extrapolated) volume of Life's liabilities stood at around 42 billion euros, which is estimated to represent an increase of close to + 4% when compared to the same period last year.

Finally, a note for the growth of more than 2% in the number of insured persons at the end of 2018, mainly due to the positive evolution witnessed in group contracts (+4,1%).

/ CLAIM COSTS CAUSES IN LIFE INSURANCE ^(a)								
	PAID AMOUNTS ^(b)			CHANGE		STRUCTURE		
	2016	2017	2018	+17/16	+18/17	2016	2017	2018
Term	3 712	2 315	2 948	-37,6%	27,4%	39,7%	36,3%	36,3%
Death	410	428	416	4,3%	-2,8%	4,4%	6,7%	6,7%
Redemption	4 992	3 276	2 930	-34,4%	-10,5%	53,4%	51,4%	51,4%
Annuities	55	55	54	-1,0%	-1,2%	0,6%	0,9%	0,9%
Transferral	90	112	75	24,1%	-32,9%	1,0%	1,8%	1,8%
Incapacity and others complementary contracts	84	90	90	7,9%	-0,3%	0,9%	1,4%	1,4%
Other	7	99	39	1319,8%	-60,5%	0,1%	1,6%	1,6%
TOTAL	9 351	6 375	6 553	-31,8%	2,8%	100,0%	100,0%	100,0%
Sample:	96,2%	93,5%	90,9%					

U: Million Euros | (a) ASF Tables (Atécnica Vida). Sample Values (Not Extrapolated). | (b) Excluding charged claims management costs. Including paid amounts for investment contracts.



/ INSURED PERSONS ^(a)								
	NUMBER			CHANGE		AVERAGE PREMIUM PER PERSON INSURED (€)		
	2016	2017	2018	+17/16	+18/17	2016	2017	2018
Annuities Contracts	25 488	26 327	25 655	3,3%	-2,6%	5.782	6.962	5.592
Lifetime Annuity	18 614	18 602	18 231	-0,1%	-2,0%	3.226	2.165	2.697
Term Insurance Contracts	4 746 700	4 739 622	5 040 682	-0,1%	6,4%	174	175	165
Retirement Saving Plan (PPR)	1 801 950	1 755 947	1 786 623	-2,6%	1,7%	944	1.256	1.922
Endowment Insurance (excluding PPR)	1 475 066	1 406 292	1 262 510	-4,7%	-10,2%	2.502	2.379	2.515
Other Capital Contracts (excluding PPR)	109 925	100 530	86 837	-8,5%	-13,6%	616	624	623
Capitalisation Contracts	31	31	30	0,0%	-3,2%	0	42.368	26.000
TOTAL GLOBAL	8 159 160	8 028 749	8 202 337	-1,6%	2,2%	788	826	932
INDIVIDUAL CONTRACTS	4 370 411	4 384 724	4 410 609	0,3%	0,6%	1.109	1.165	1.387
GROUP CONTRACTS	3 788 780	3 644 056	3 791 758	-3,8%	4,1%	419	417	402
Sample:	96,2%	93,5%	90,9%					

(a) ASF Tables (Atécnica Vida). Sample Values (Not Extrapolated).

/ MATHEMATICAL PROVISIONS AND FINANCIAL LIABILITY ^(a)								
	AMOUNTS			CHANGE		STRUCTURE		
	2016	2017	2018	+17/16	+18/17	2016	2017	2018
Annuities Contracts	759	791	791	4,2%	0,1%	2,0%	2,1%	2,1%
Lifetime Annuity	627	611	629	-2,6%	2,8%	1,7%	1,6%	1,6%
Term Insurance Contracts	122	120	265	-1,0%	120,5%	0,3%	0,3%	0,7%
Retirement Saving Plan (PPR)	13 488	14 123	15 931	4,7%	12,8%	36,4%	37,3%	41,5%
Endowment Insurance (excluding PPR)	22 168	22 299	20 931	0,6%	-6,1%	59,7%	58,9%	54,6%
Other Capital Contracts (excluding PPR)	558	544	423	-2,6%	-22,1%	1,5%	1,4%	1,1%
Capitalisation Contracts	11	10	9	-9,6%	-6,6%	0,0%	0,0%	0,0%
TOTAL GLOBAL	37 106	37 886	38 351	2,1%	1,2%	100%	100%	100%
INDIVIDUAL CONTRACTS	30 119	30 704	31 107	1,9%	1,3%	81,2%	81,0%	81,1%
GROUP CONTRACTS	6 987	7 181	7 244	2,8%	0,9%	18,8%	19,0%	18,9%
Sample:	96,2%	93,5%	90,9%					

U: Million Euros | (a) ASF Tables (Atécnica Vida). Sample Values (Not Extrapolated).

NON-LIFE SEGMENT

The Non-Life segment witnessed in 2018 a significant increase in its overall result to around 177 million euros, or +127,7% when compared to the figures witnessed in 2017.

Given the fall of -46 million euros in the financial component of the result the main factor behind the positive evolution of the results of this segment in 2018 was undoubtedly its technical component (+145 million euros year-on-year).

Growth in the Non-Life technical component of the result was due to a remarkable increase in premiums (+7,5%) and a more moderate increase in claims costs (+3%⁴) which naturally resulted in a drop of -2,8 pp in the overall loss ratio of the segment (from 76,7% in 2017 to 73,9% in 2018). On the other hand, there was also a positive, but equally moderate, evolution in operating costs and expenses thus leading to a decrease of -0,7 pp in the segment's operating load.

All in all, this resulted in a combined ratio of 100,7% (-3,5 pp compared to the end of 2017), which, although it's not ideal, compares very favourably with those witnessed in recent years, even the lowest since 2008 (the year in which this indicator was 98,8%).

Looking a little further in detail by lines of business, we see that the main driver of this growth in Non-Life results is the "Fire and Other Damage" segment, which posted a growth of +47 million euros (34 million euros in 2018 against -12 million euros in 2017), returning to values close to those witnessed in 2016 (49 million euros). Although 2018 witnessed events of some severity (of which hurricane Leslie is the best example), fortunately, they didn't have the scale of the tragic events of June and October 2017. Unsurprisingly, there is a noticeable drop in the loss

⁴ Data taken from the report "Costs with Claims (Monthly - Aggregate)" for December 2018



ratio (-6,1 pp) and, as a result, an improvement in the technical component of this branch results (from -38 million euros in 2017 to +11 million euros in 2018)

The "Workmen's Compensation" modality also contributed equally significantly to the evolution of Non-Life segment results. The 2018 data point to a technical result of around 16 million euros, which represents the restoration of the technical balance of a sport that since 2010 had chronically negative results and since then had accumulated losses of over EUR 560 million. This evolution of the result of "Workmen's Compensation" reflects the economic growth and the natural increase in insured wages (+5,2%) witnessed in 2018, but also the continuation of a healthy policy of adjusting tariffs to more values more in line with the risks effectively borne by insurers. Indeed, with claims costs virtually stagnant (-0,2% compared to 2017³), premium growth (+13,5%) was mainly responsible for the significant decrease in the claims rate (from 101,1% in 2017 to 85,6% in 2018) and, consequently, to the positive evolution of the results of this modality.

In the opposite direction, the "Motor" segment evolved, which, despite the increase in production (+6,8%), witnessed a slight increase in its combined ratio (+0,2 pp) in 2018, which led to a drop in the result to -30 million euros (-28 million euros in 2017). Finally, the "Health" modality also witnessed an unfavourable evolution in its combined ratio (+0,2 pp) and its technical result (-9 million euros compared to 2017), breaking, in the latter case, a growing trend witnessed since 2014. Still, the results of this modality in 2018 amounted to over 38 million euros being the third best result of the last 10 years.

³ Data taken from the report "Costs with Claims - Aggregate" for December 2018

⁴ Data taken from the report "Costs with Claims - Aggregate" for December 2018

/ COMBINED RATIOS - DIRECT INSURANCE ^(a)					
		GROSS WRITTEN PREMIUMS	LOSS RATIO	OPERATING CHARGES	COMBINED RATIO
Accidents & Health	2018.12	1 789	78,0%	21,8%	99,8%
	2017.12	1 634	84,7%	22,3%	107,1%
	2016.12	1 482	89,9%	22,1%	112,0%
Workmen's Compensation	2018.12	801	85,6%	22,0%	107,6%
	2017.12	705	101,1%	23,6%	124,7%
	2016.12	624	112,4%	24,4%	136,8%
Health	2018.12	807	76,2%	18,8%	95,0%
	2017.12	751	76,4%	18,3%	94,8%
	2016.12	694	77,8%	17,2%	94,9%
Fire & Other Damage	2018.12	848	60,7%	37,1%	97,7%
	2017.12	802	66,8%	37,4%	104,1%
	2016.12	779	52,3%	37,9%	90,2%
Motor	2018.12	1 719	78,4%	27,9%	106,3%
	2017.12	1 610	77,3%	28,8%	106,1%
	2016.12	1 528	77,5%	29,2%	106,7%
Marine & Transport	2018.12	25	64,1%	26,8%	91,0%
	2017.12	26	37,8%	31,8%	69,6%
	2016.12	25	58,9%	31,5%	90,5%
Air	2018.12	7	7,6%	43,2%	50,8%
	2017.12	7	28,4%	23,9%	52,3%
	2016.12	6	33,5%	36,3%	69,9%
Carriage of Goods	2018.12	21	53,8%	30,2%	84,0%
	2017.12	21	38,8%	37,6%	76,4%
	2016.12	22	39,1%	33,8%	72,9%
General Third-party Liability	2018.12	131	41,5%	38,7%	80,2%
	2017.12	127	43,9%	38,8%	82,7%
	2016.12	116	42,0%	41,1%	83,1%
Sundry	2018.12	286	58,7%	26,2%	84,8%
	2017.12	263	58,4%	25,2%	83,6%
	2016.12	243	62,8%	24,0%	86,8%
TOTAL DIRECT INSURANCE	2018.12	3 987	73,9%	26,8%	100,7%
	2017.12	4 133	76,7%	27,5%	104,2%
	2016.12	4 168	76,8%	27,7%	104,5%

U: Million Euros | (a) These ratios are calculated on earned premiums net of reinsurance.





INSURANCE IN PORTUGAL

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