

# INSURANCE IN PORTUGAL

INSURANCE MARKET  
OVERVIEW 19/20

aps ASSOCIAÇÃO  
PORTUGUESA  
DE SEGURADORES

INSURANCE IN PORTUGAL 2019 / 2020  
ASSOCIAÇÃO PORTUGUESA DE SEGURADORES

MAY 2021 - ONLINE

# INSURANCE IN PORTUGAL

INSURANCE MARKET OVERVIEW 19/20

## 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.

For more information visit [www.apseguradores.pt](http://www.apseguradores.pt)

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Graphic design /Zincodesign  
Printing /Tuttifrutti  
Legal nr. /301861/09

MAY 2021

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## 01. INSURANCE IN PORTUGAL

The outbreak of COVID-19 has decisively marked the evolution of the Portuguese economy in 2020, with a deep health crisis leading, according to the most recent projections, to a contraction of the Gross Domestic Product (GDP) of around 8%, ie, in 2020 the Portuguese GDP should register its biggest drop since the post-war period.

The insurance sector would unlikely be unharmed by such an economic and financial situation. Regarding the Direct Insurance Premiums, the information available to APS confirms that the crisis resulting from the outbreak of the pandemic had strong impacts on

the sector. The Direct Insurance premiums in Portugal amounted, in 2020, to a little below 10 billion euros – representing a year-on-year decrease of -18.7% – although there are very different behaviors in the Life business and in the Non-Life business.

The Non-Life business, whose evolution is most correlated with the developments observed in economic activity, is the segment that most directly felt the impacts of the pandemic, being also the one that was most impacted by the implementation of extraordinary mechanisms for moratoriums and adjustments to premiums, whether they are of a legal nature (DL 20-F / 2020), or whether they are the result of direct initiatives to support their customers by insurance companies.

Although the volume of Non-Life premiums recorded a year-on-year growth of around 3.0% (to close to 5.4 billion euros), the truth is that by the end of February this segment was growing at a rate of 7.3% , a value more in line with that observed at the end of 2019 (+7.9%) and with the current expectations.

The Life business, in parallel to the challenges associated with the pandemic, continues to face severe constraints to its business development, particularly in the financial products, mainly due to the prolonged environment of low interest rates. The reflexes of all these limitations are felt in the substantial drop in production registered at the end of 2020 (-34.8%). However, more than direct effects of the pandemic, this evolution confirms the negative trend already observed at the end of 2019 (-13.9%) and which continued to be registered at the end of February 2020, when the year-on-year change (-40.7%) was higher than registered at the end of the year.

Unsurprisingly, given the economic and financial situation, this decrease in Life production is particularly



### PREMIUMS PORTFOLIO STRUCTURE

45,9%

Life

54,1%

Non Life

### NET INCOME

58

Billions of Euros

evidenced by the negative evolution in terms of financial and savings products. A highlight to the very significant drop (-72%) in contributions for "PPR Non-Linked to Investment Funds" products. Despite this context, a positive note for the "Linked to Investment Funds (except PPR)" products, the only ones in the Life segment that witnessed an increase in their production (+23%), reversing a downward trend that started in 2017.

The combination of the evolution of the two segments resulted in an inversion of the structural weight between them, not seen since 2001. Thus, the Non-Life segment now concentrates 54% of the total premiums, having surpassed the Life segment premiums in about 805 million euros.

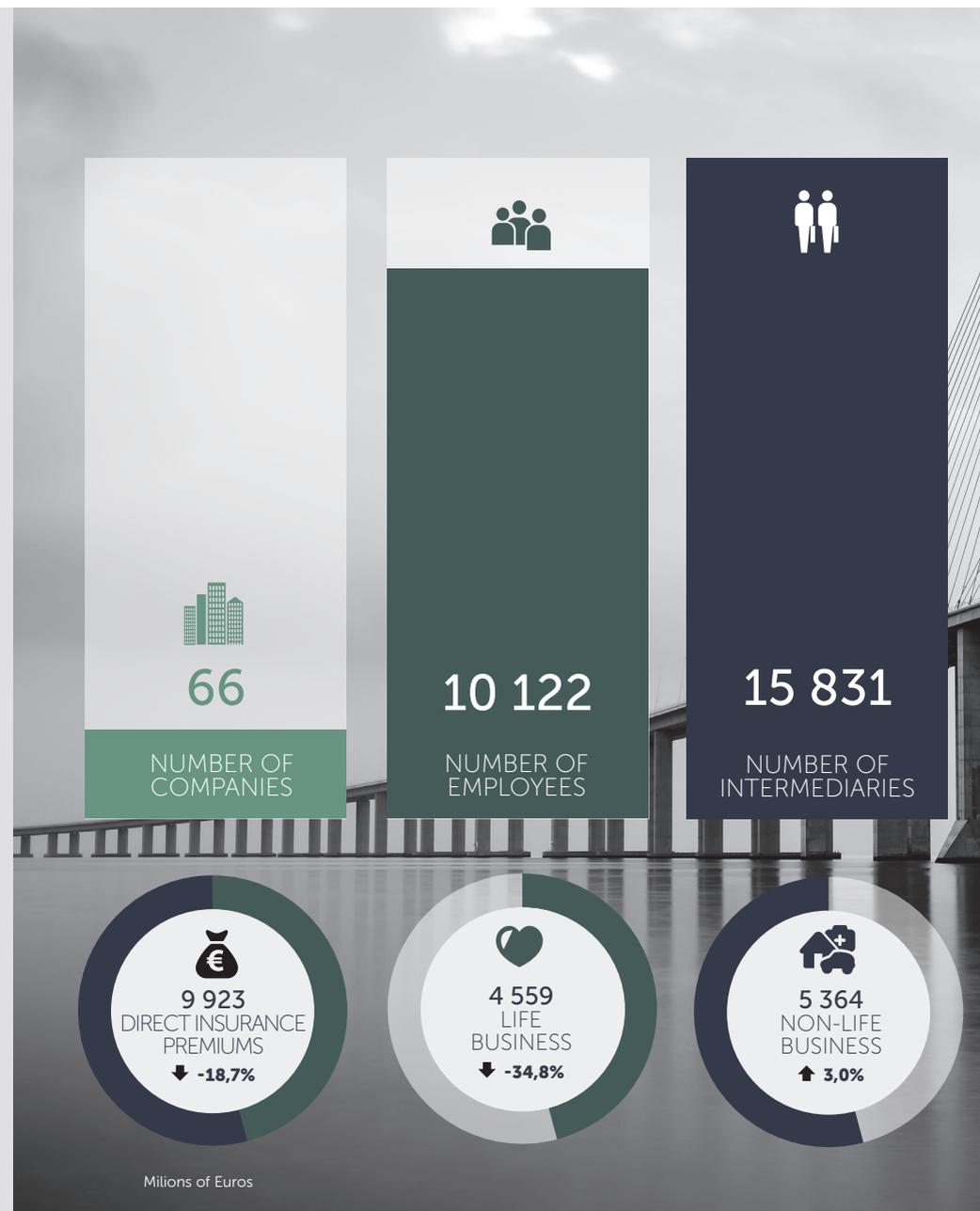


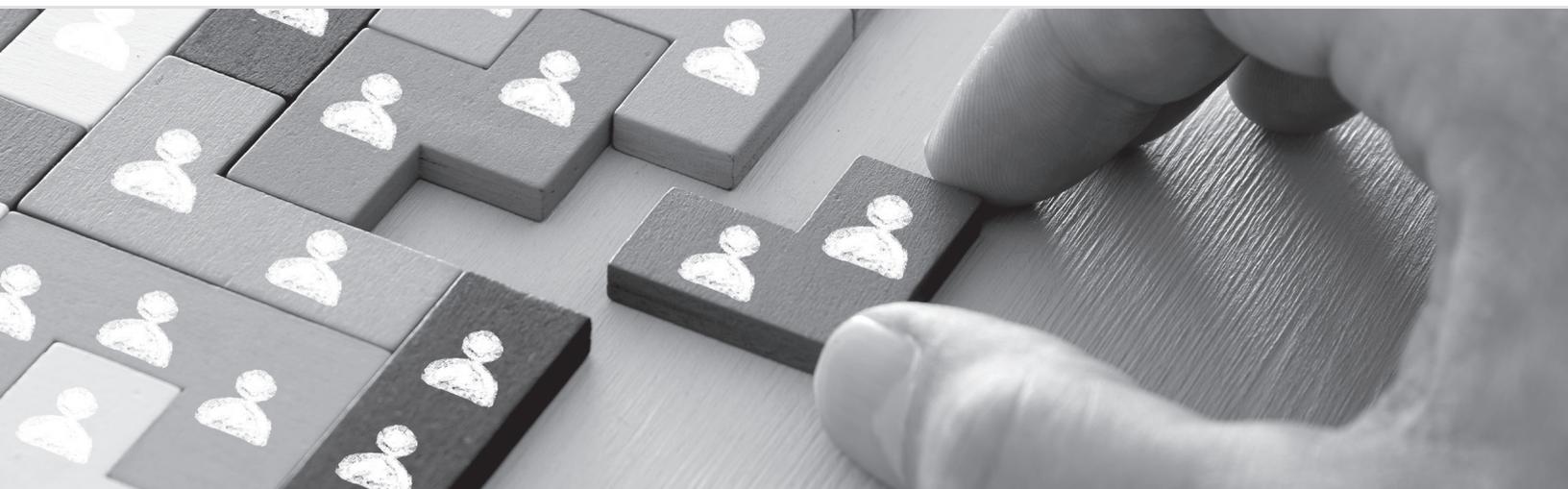
/ MAJOR AGGREGATES					
	2018	2019	2020	+19/18	+20/19
Nr. of Companies	76	71	66	-6,6%	-7,0%
Nr. of Employees	10 148	10 150	10 122	0,0%	-0,3%
Nr. of Brokers	18 999	16 763	15 831	-11,8%	-5,6%
Net Assets	56 390	59 894	58 004	6,2%	-3,2%
Investment Assets	52 829	56 667	54 757	7,3%	-3,4%
Own Funds (Equity)	5 343	6 191	6 913	15,9%	11,7%
Direct Insurance Premiums	12 950	12 203	9 923	-5,8%	-18,7%
Life Business	8 123	6 993	4 559	-13,9%	-34,8%
Non-Life Business	4 827	5 209	5 364	7,9%	3,0%
Results for the Year	466	330	528	-29,3%	60,1%
Life Technical Account	378	208	308	-45,0%	48,1%
Non-Life Technical Account	177	227	402	28,3%	77,1%
Non-Technical Account	-89	-105	-183	18,6%	73,0%
Equity / Net Assets	9,5%	10,3%	11,9%	0,9 p.p.	1,6 p.p.
Results / Equity	8,7%	5,3%	7,6%	-3,4 p.p.	2,3 p.p.

U: Million Euros | Source: APS - Associação Portuguesa de Seguradores, ASF - Autoridade de Supervisão de Seguros e Fundos de Pensões, BdP - Banco de Portugal e INE - Instituto Nacional de Estatística.

/ LIFE AND NON-LIFE PRODUCTION							
	2018	2019	2020	CHANGE (in %)		CHANGE (in absolute terms)	
				+19/18	+20/19	+19/18	+20/19
<b>TOTAL (LIFE AND NON-LIFE)</b>	<b>12 950</b>	<b>12 203</b>	<b>9 923</b>	<b>-5,8%</b>	<b>-18,7%</b>	<b>-747</b>	<b>-2 280</b>
<b>TOTAL LIFE</b>	<b>8 123</b>	<b>6 993</b>	<b>4 559</b>	<b>-13,9%</b>	<b>-34,8%</b>	<b>-1 130</b>	<b>-2 434</b>
Life Insurance	6 355	5 285	2 649	-16,8%	-49,9%	-1 070	-2 635
Insurance linked to Investment Funds	1 767	1 704	1 909	-3,6%	12,0%	-63	205
Capitalisation Operations	1	5	0	483%	-100,0%	4	-5
<b>TOTAL NON-LIFE</b>	<b>4 827</b>	<b>5 209</b>	<b>5 364</b>	<b>7,9%</b>	<b>3,0%</b>	<b>382</b>	<b>155</b>
Accidents & Health	1 789	1 962	2 026	9,7%	3,2%	173	63
Workmen's Compensation	801	895	906	11,8%	1,2%	94	10
Health	807	877	950	8,7%	8,2%	70	72
Fire & Other Damage	848	906	945	6,8%	4,3%	58	39
Motor	1 719	1 839	1 877	7,0%	2,1%	120	38
Transport, General Third-party Liability & Sundry	470	502	517	6,8%	2,9%	32	15

U: Million Euros | Source: ASF Tables (Provisional\_Data\_ES)





## 02. INSURANCE AND SOCIETY

The drop of direct insurance premium volume registered in 2020, caused the penetration rate (premiums/GDP ratio) to drop to 4.8%, even in a year in which there was a historical GDP contraction, a number unseen since 2002. Similarly, Per Capita Premium indicator also suffered a significant reduction, lowering the 1,000 euros/inhabitant for the first time since 2004: it is now at 965 euros/inhabitant.

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, including protecting people and property and managing savers' savings.

Furthermore, this sector plays an important role in promoting economic development, through medium

and long-term financing of both the State and the private business sector. At the end of 2020, the total investment portfolio of this sector amounted to around 55 billion euros (about 27% of GDP), which again places the insurance sector at the top of institutional investors in Portugal.

It is also due to a careful and efficient management of its investments' portfolio and the relevant results generated, that the insurance sector has the ability to annually return to society all – or even more – of the premiums received from policyholders.

Thus, if we add to the value of the written premiums 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 2020 rose to around 10,6 billion euros.

A substantial part of these premiums – 7,4 billion euros – has since then been returned to policyholders and other beneficiaries by way of settlement payments, provision for future payments related to insured events and the establishment and reinforcement of liabilities associated to long term savings of the Portuguese.

Additionally, and ignoring both the VAT incurred with 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 Civil Protection Authority, the National Institute of Medical Emergency, the Motor Guarantee Fund and the Workmen's Compensation Fund) approximately 0,9 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 nearly

/ INDICATORS					
	2018	2019	2020	+19/18	+20/19
Investment Assets / GDP	25,7%	26,5%	27,0%	0,7 p.p.	0,5 p.p.
D. I. Premiums / GDP	6,4%	5,7%	4,8%	-0,7 p.p.	-0,9 p.p.
Life Business	4,0%	3,3%	2,2%	-0,7 p.p.	-1,1 p.p.
Non-Life Business	2,4%	2,4%	2,6%	0,0 p.p.	0,2 p.p.
D. I. Premiums / Nr Inhabitants (Euros)	1 260	1 189	965	-5,7%	-18,9%
Life Business	790	681	443	-13,8%	-35,0%
Non-Life Business	470	507	521	8,0%	2,7%

Sources: APS, BdP and INE.

/ INSTITUTIONAL INVESTORS' PORTFOLIO						
	2018	2019	2020	2018%	2019%	2020%
Mutual Funds & Money Market	11 221	12 998	14 669	11,9%	12,7%	14,2%
Real-Estate Funds	10 636	10 502	10 835	11,3%	10,3%	10,5%
Pension Funds	19 470	21 830	23 024	20,7%	21,4%	22,3%
Insurance companies	52 829	56 667	54 757	56,1%	55,6%	53,0%
<b>TOTAL</b>	<b>94 155</b>	<b>101 997</b>	<b>103 285</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

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





10,6

PREMIUMS RECEIVED FROM POLICYHOLDERS  
 U: Billion Euros



10,7

RETURN TO SOCIETY  
 U: Billion Euros

16.000 insurance intermediaries, the amounts paid to suppliers outside the scope of claim processes, over 1,9 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 10,7 billion euros in 2020, i.e., an amount equal to the overall amount received from policyholders as premiums and respective tax and parafiscal costs..

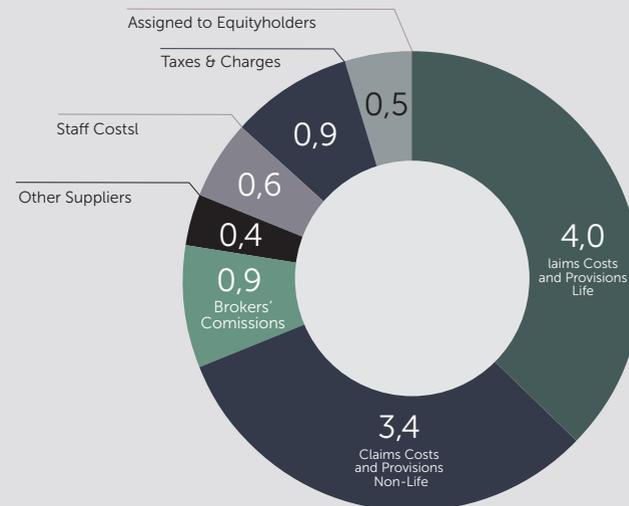
### / PREMIUMS RECEIVED FROM POLICYHOLDERS

U: Billion Euros



### / RETURN TO SOCIETY

U: Billion Euros



## 03. EUROPEAN INSURANCE MARKET

The latest year with complete data available for the European insurance market is 2019, thus the number in this chapter still do not reflect the impacts of the pandemic crisis.

In 2019, premiums income from European Union (EU) member countries – excluding the United Kingdom, in 2019 and also in 2018 – saw a moderate growth (+ 1,1%) reaching values close to 1.172 billion USD. Despite the greater contribution from the Life

segment, this growth in total premiums income results from similar relative developments in both segments (+ 1.2%, in the Life segment, and + 0,9%, in the Non-Life segment).

With a particularly developed Life business, the French insurance market is now – after the United Kingdom withdrawal – the largest market in the European Union, with a total share of 22,4%. The German market closely follows and is currently the



second largest in total business (with a 20,8% share) but remains the largest in the Non-Life segment, representing 28,0% of the EU market.

In this ranking, even after the withdrawal of the United Kingdom, Portugal continues to take an intermediate place among the European Union markets, having retained the 2018 share (1,3%).

As for the premium-to-GDP ratio, 2019 saw a significant reduction in this indicator pertaining to the Portuguese market (6,4% in 2018, against 5,8% in 2019) and as consequence moved further away from the remaining EU countries average indicator (6,8 %). In fact, when compared to large European markets, Portugal only shows a value above that of the Spanish market (5,1%) as regards this indicator.

The preliminary information that is available for 2020 points out to a general breakdown of premiums in most countries in Europe which, just like in Portugal, is expected to be largely justified by the premiums in the Life segment.

### / INSURANCE MARKETS IN THE EUROPEAN UNION - DIRECT INSURANCE PREMIUMS

#### GROSS PREMIUMS WRITTEN | STRUCTURE<sup>(a)</sup>

	LIFE 2019		NON-LIFE 2019		TOTAL 2019	
France	168	25,3%	95	18,6%	262	22,4%
Germany	102	15,3%	142	28,0%	244	20,8%
Italy	124	18,7%	44	8,6%	168	14,3%
Netherlands	14	2,2%	69	13,6%	84	7,1%
Spain	32	4,8%	40	7,9%	71	6,1%
Portugal	8	1,2%	6	1,2%	16	1,3%
<b>TOTAL UE (without UK)</b>	<b>663</b>	<b>100%</b>	<b>508</b>	<b>100%</b>	<b>1 172</b>	<b>100%</b>

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

### / INSURANCE MARKETS IN THE EUROPEAN UNION - INDICATORS

#### PREMIUMS PER CAPITA | PREMIUMS/GDP PIB<sup>(a)</sup>

	LIFE 2019		NON-LIFE 2019		TOTAL 2019	
France	2 413	6,0%	1 306	3,2%	3 719	9,2%
Germany	1 222	2,6%	1 712	3,7%	2 934	6,3%
Italy	2 039	6,2%	725	2,2%	2 764	8,3%
Netherlands	832	1,6%	3 990	7,6%	4 822	9,2%
Spain	654	2,2%	854	2,9%	1 508	5,1%
Portugal	763	3,3%	568	2,5%	1 331	5,8%
<b>TOTAL UE (without UK)</b>	<b>1 410</b>	<b>3,7%</b>	<b>1 074</b>	<b>3,1%</b>	<b>2 374</b>	<b>6,8%</b>

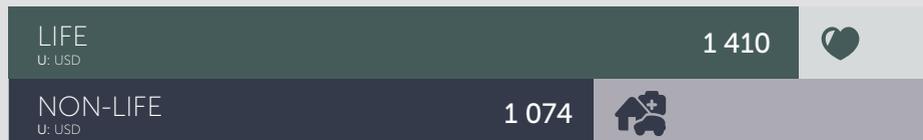
U: USD | Source: Sigma - Swiss Re | (a) Provisional Data

### / INSURANCE MARKETS IN THE EUROPEAN UNION | 2019

#### Gross Premiums Written



#### Premiums Per Capita



## 04. STRUCTURE OF THE SECTOR

The year 2020 continued to see some changes in the structure of the insurance sector in Portugal, mainly related to what, in a broad sense, we can refer to as corporate restructuring.

After a merger between two Non-Life companies, registered in 2019, a transformation from a local company to an EU branch and the departure of five community branches that operated in the national market (some of which maintained nonetheless their operations through free provision of service regime), 2020 was a little less active in this matter but, nevertheless, saw a merger of three companies

(two Non-Life and one Life) and the exit of three community branches.

All these movements resulted in a significant decline in the number of companies operating in Portugal through a permanent establishment in the last two years, a drop that was halted somehow after the establishment, in 2019, of a company operating under Portuguese law exploring Non-Life branches. As a result, the total number of companies with permanent establishment operating in Portugal at the end of 2020 was 66 (compared to 76 at the end of 2018).

### / COMPOSITION OF THE MARKET

	2018	2019	2020
<b>Limited liability companies</b>	<b>40</b>	<b>39</b>	<b>37</b>
National	16	16	15
Foreign <sup>(a)</sup>	24	23	22
<b>Mutuals</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>General Agencies</b>	<b>35</b>	<b>31</b>	<b>28</b>
Community	35	31	28
Non-Community	0	0	0
<b>TOTAL</b>	<b>76</b>	<b>71</b>	<b>66</b>
<b>Community in FPS (Free Provision of Services)<sup>(b)</sup></b>	<b>568</b>	<b>542</b>	<b>507</b>

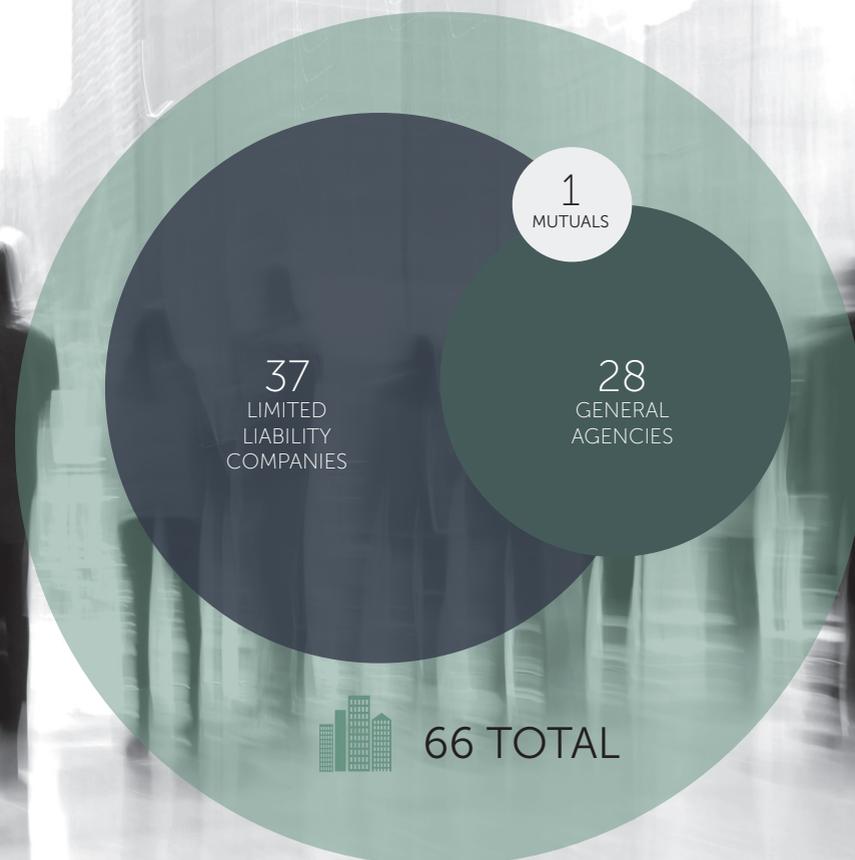
Source: ASF and APS | (a) Held directly by foreign entities with a majority stake; | (b) Head offices or branches of companies based in other Member States that reported for the year in FPS in Portugal.

### / TOTAL PRODUCTION (LIFE AND NON-LIFE)

	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
<b>Limited liability companies</b>	<b>11 713</b>	<b>90,4%</b>	<b>10 996</b>	<b>90,1%</b>	<b>8 810</b>	<b>88,8%</b>
<b>Mutuals</b>	<b>9</b>	<b>0,1%</b>	<b>11</b>	<b>0,1%</b>	<b>10</b>	<b>0,1%</b>
<b>General Agencies</b>	<b>1 228</b>	<b>9,5%</b>	<b>1 196</b>	<b>9,8%</b>	<b>1 103</b>	<b>11,1%</b>
<b>TOTAL</b>	<b>12 950</b>	<b>100%</b>	<b>12 203</b>	<b>100,0%</b>	<b>9 923</b>	<b>100%</b>

U: Million Euros | Source: ASF Tables (Provisional\_Data\_ES)

### / COMPOSITION OF THE MARKET



## 05. FINANCIAL DIMENSION AND RESULTS

The provisional information on 2020 insurance sector accounts indicates an aggregate result, calculated by extrapolation from a sample of 91,8%, of approximately +528 million euros (+60,1% in year-on-year terms).

However, this positive evolution was strongly influenced by the performance of two operators which, in 2019, carried out extraordinary provisions' reinforcement actions, thus impairing any comparisons in year-on-year terms. Excluding the combined effect of these two operators, the year-on-year evolution for the total market would have been around + 14%.

In any case, the majority of insurance companies in the sample (35 out of 38) present positive results in 2020 but only nearly half the companies (20) witnessed a positive evolution on their net results when compared to 2019.

Going through the results of the sector in more detail, we find that both the technical account of the Non-Life segment and the Life segment evolved positively, but with different rhythms (+77,1% and +48,1%, respectively, compared to data at the end of 2019).

In fact, the Non-Life segment consolidated the trend observed since 2017 and saw once again a substantial increase in its total technical result, from 227 million

euros, in 2019, to around 402 million euros, a year-on-year change of +175 million euros. This result of the Non-Life technical account is, by far, the highest witnessed since the new chart of accounts came into effect in 2008 (for the record, 2018 did witness the highest value to date).

Regarding the Life segment, the result of its technical account witnessed an increase to 308 million euros, which represents a variation of around +100 million euros compared to 2019. With sizeable volume of liabilities, and assets allocated to them, the Life segment has traditionally been more sensitive to fluctuations in the financial markets, hence it is not surprising to realise the decisive contribution of the financial component for the evolution of the Life technical result in 2020 (-76 million year-on-year).

Additionally, a note for the result of the Non-Technical account, which witnessed a very negative development compared to 2019. The result went from -105 million euros, in 2019, to around -183 million euros in 2020, an evolution almost entirely justified to a considerable increase in the items corresponding to taxes (IRC) to pay. Regarding the aggregated financial position of the insurance sector, net assets were 58 billion euros at the end of 2020, representing a sizeable decrease over the same period (-3,2%). The investment portfolio (including cash and deposits), with an absolute variation of -1,9



billion euros (-3,4%, year on year), was largely responsible for this evolution and reached a total value of 54,8 billion euros (against 56,7 billion euros in 2019).

Along the same lines, but with more intensity, there was a -4,9% change in liabilities, from 53,7 billion euros in 2019 to an amount close to 51,1 billion euros at the end of 2020. This evolution in the volume of liabilities can be fully credited to the behaviour on the technical liabilities of the Life segment (that include Technical Provisions and Financial Liabilities) which witnessed a fall of almost -3 billion euros in value, this decrease in the total value of liabilities was not more substantial because it was partially offset by the increase recorded in the value of non-life technical provisions (+312 million when compared to the end of 2019).

In view of the combination of both asset and liability developments, the total equity of the sector was, unsurprisingly, up by +8722 million euros (+ 11,7%).

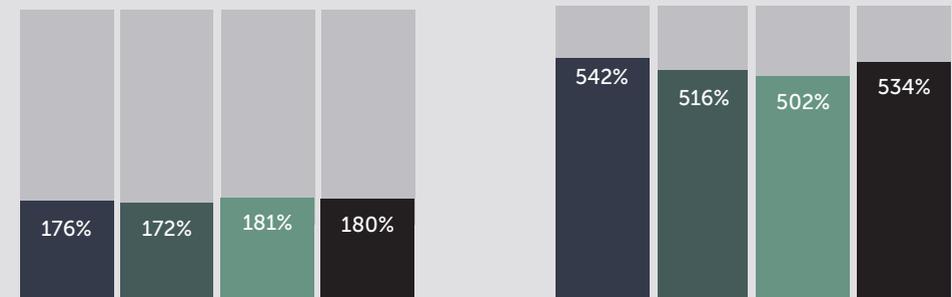
Despite this positive evolution of equity, there was a slight drop, in year-on-year terms, of -1 pp in the sector's Solvency Capital Requirements (SCR) coverage ratio which, at the end of 2020, was 180%.

The Minimum Capital Requirement (MCR) coverage ratio increased to 534% (502% at the end of 2019), which means that the available capital to cover the minimum capital requirements under the new prudential regime were, in December 2020, more than five times over the legally required.

### / SOLVENCY RATIO (SOLVENCY II)

■ 2017.12 ■ 2018.12 ■ 2019.12 ■ 2020.12

U: Percentage | Source: ASF



SCR | COVERAGE

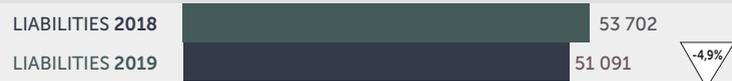
MCR | COVERAGE

### / FINANCIAL RESULTS VS TECHNICAL RESULTS

	TECHNICAL COMPONENT			FINANCIAL COMPONENT			TOTAL RESULT		
	2019	2020	Absolute change	2019	2020	Var. Absoluta	2019	2020	Absolute change
Life Technical Account	-241	-65	176	449	373	-76	208	308	100
Non-Life Technical Account	47	335	288	180	67	-113	227	402	175
Non-Technical Account				-105	-183	-77	-105	-183	-77
<b>TOTAL</b>	<b>-194</b>	<b>270</b>	<b>464</b>	<b>524</b>	<b>257</b>	<b>-266</b>	<b>330</b>	<b>528</b>	<b>198</b>

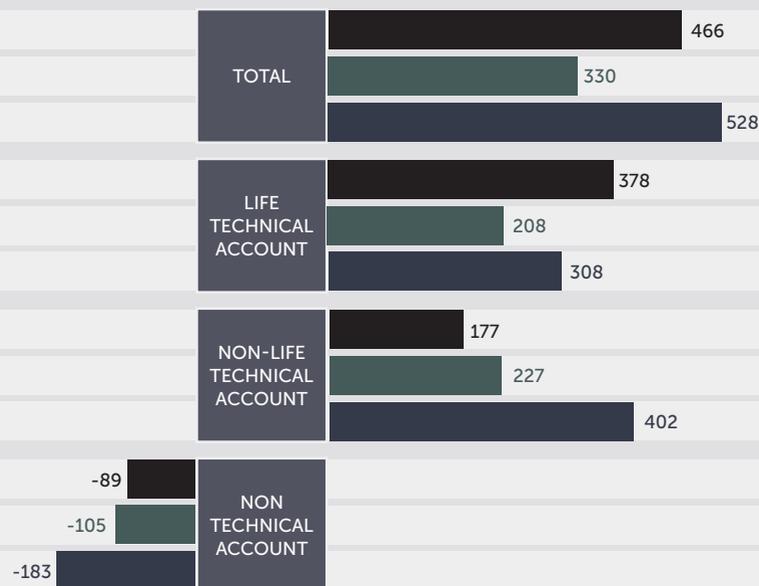
U: Million Euros | Note: Extrapolated data based on a sample.

### / BALANCE OF INSURANCE BUSINESS



U: Million Euros | Note: Extrapolated data based on a sample.

### / TECHNICAL ACCOUNTS RESULTS



U: Million Euros | Note: Extrapolated data.

2018 2019 2020



TOTAL VALUE OF INVESTMENT PORTFOLIO

54,8  
Billion Euros

## 06. INVESTMENTS

According to the provisional information delivered to APS, in December 2020, the total value of the insurance sector portfolio was around 54,8 billion euros (-3,4%) compared to the same period in 2019, a fall completely justified by the Life segment.

The combination of a decrease in the premiums (-34,8%) and an increase in claims costs (+25,8%)<sup>1</sup> justifies the Life segment portfolio decrease – the most representative in the sector, with more than 80% of the total – to values close to 44,2 billion euros (-5,9% compared to 2019).

Regarding the Non-Life segment, 2020 confirmed the growth trend witnessed since 2016, with an increase in the assets in the portfolio of around +3,8% compared to 2019.

Despite having a reduced impact on the total asset portfolio, the not assigned portfolio increased +565 million euros, compared to 2019 – a fact in line with the growth observed in equity.

Finally, regarding the asset portfolio breakdown, it appears that the largest share of investments in the sector continues to be invested in bonds (70,5%), a slight structural increase of +0,9 pp compared to 2019 and reached a total volume of 39,9 billion euros at the end of 2019, of which 13,0 billion euros correspond to public debt (22,9% of the total investment portfolio).

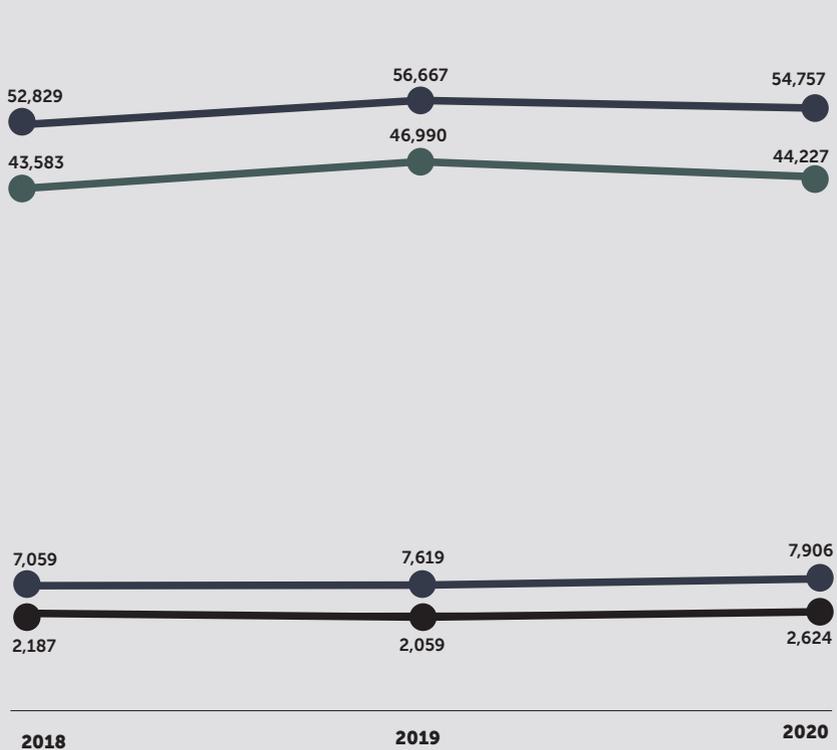
<sup>1</sup>Data taken from the report "Costs with Claims (Monthly - Aggregate)" for December 2019



## / EVOLUTION OF THE INVESTMENT PORTFOLIO

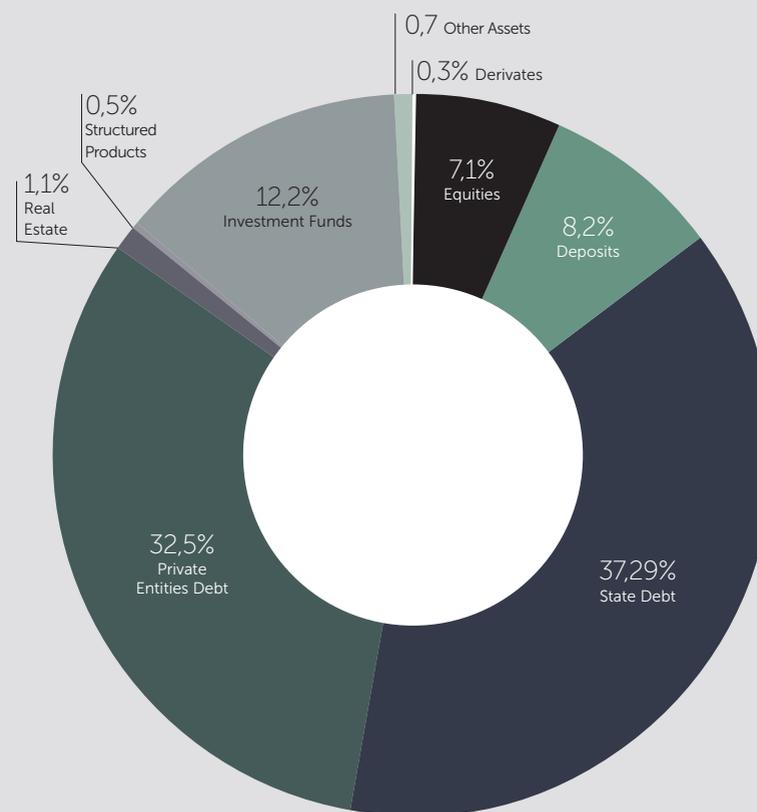
■ TOTAL ■ Life ■ Non-Life ■ Not assigned

U: Million Euros | Source: ASF Tables (Investments\_ES and Investments\_PPR) | Note: Extrapolated data.



## / ASSET PORTFOLIO BREAKDOWN | 2019

Source: ASF Tables (Investments\_ES and Investments\_PPR)



## 07. DISTRIBUTION CHANNELS

After the new legislative framework applicable to the insurance distribution<sup>2</sup> came into force, the structure of the distribution channels of this sector witnessed in 2019 (latest available data) a new category of intermediary – the ancillary insurance intermediary<sup>3</sup>.

Under this new context, in 2019 the Agents channel reached a prominent place in the structure of the insurance distribution channels and accounts now for 66,3% of total premiums, 26,3 pp more than the previous year. As for the ancillary insurance intermediaries they debuted in this ranking with a share of 17,5% of total premiums and became the second most important in the Portuguese market. In general, this year, Direct Sales perceived a marginal increase as they moved from 4,9% in 2018, to 5,2% in 2019, e.g. a growth of +0,3 pp.

Given the importance of banking institutions in the distribution of insurance in the Life segment (which, according to the new distribution regime, are now all classified as Agents), the reinforcement of the weight of Agents was in Portugal more striking in this branch, in light of its increase by almost 40 pp compared to 2018, that is, close to 70% of the of Life premiums amount.

However, the decrease of Life premiums in 2019 (-13,5%) led to a decline in the importance of banks as regards marketing products in this segment, from 80% in 2018 to 77,9% in 2019.

Regarding the distribution structure of the Non-Life segment, the Agents channel, already a prominent channel in this segment, also secured a share in 2019, with a growth of 5 pp, thus representing 62,2% of the overall distributed volume.

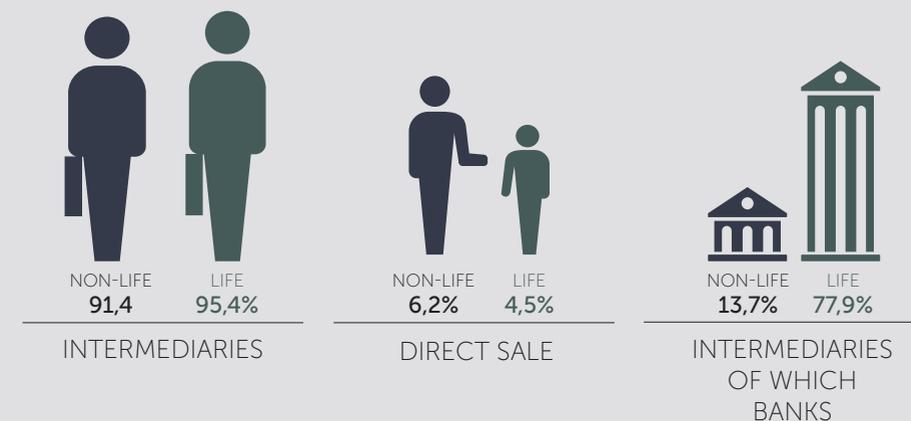
Insurance intermediaries witnessed a sustainable growth in 2019 as well, with a turnover equivalent to practically 21% of Non-Life premiums (+1,1 pp in year-on-year terms).

To the detriment of the appreciation of the Intermediaries category, Direct Sales in the Non-Life business experienced a decline in their role, from 7,5% in 2018 to 7,2% in 2019.

<sup>2</sup>Law No. 7/2019, of January 16  
<sup>3</sup>Category that corresponds, to a large extent, to the previous "Tied Intermediaries - Type II" other than credit institutions or investment firms (see link <https://www.asf.com.pt/NR/rdonlyres/BBB50880-4EBD-4F27-9240-0BF9074F87F7/0/Alteraçãoautomáticaderegistodemediadordesegurosliqado.pdf>)

/ STRUCTURE OF THE DISTRIBUTION CHANNELS						
	NON-LIFE		LIFE		TOTAL	
	2018	2019	2018	2019	2018	2019
<b>Intermediaries</b>	<b>91,0%</b>	<b>91,4%</b>	<b>96,6%</b>	<b>95,4%</b>	<b>94,5%</b>	<b>93,7%</b>
Agents	57,3%	62,2%	29,6%	69,4%	39,9%	66,3%
Ancillary basis (2019 and following)	N.A.	8,3%	N.A.	24,3%	N.A.	17,5%
Tied (until 2018)	13,8%	N.A.	65,3%	N.A.	46,1%	N.A.
Tied -Type I	11,8%	N.A.	52,2%	N.A.	37,1%	N.A.
Tied - Type II	2,0%	N.A.	13,2%	N.A.	9,0%	N.A.
<b>Insurance brokers</b>	<b>19,8%</b>	<b>20,9%</b>	<b>1,6%</b>	<b>1,7%</b>	<b>8,4%</b>	<b>9,9%</b>
Reinsurance	0,1%	0,1%	0,0%	0,0%	0,0%	0,0%
Of which: Banks	16,4%	13,7%	80,0%	77,9%	56,3%	50,5%
Of which: CTT (Post Office)	0,0%	0,0%	1,5%	0,9%	0,9%	0,5%
<b>Direct Sale</b>	<b>7,5%</b>	<b>6,2%</b>	<b>3,3%</b>	<b>4,5%</b>	<b>4,9%</b>	<b>5,2%</b>
Branches	5,3%	4,8%	3,3%	4,5%	4,0%	4,6%
Internet	0,6%	0,5%	0,0%	0,0%	0,2%	0,2%
Telephone	1,6%	0,9%	0,0%	0,0%	0,6%	0,4%
<b>Others</b>	<b>1,6%</b>	<b>2,4%</b>	<b>0,1%</b>	<b>0,1%</b>	<b>0,7%</b>	<b>1,1%</b>
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Sources: ASF Tables (Notes\_ES) and APS



## 08. TAXATION

A further proof 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 this 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, it is estimated that the fiscal and para-fiscal revenue generated by this activity rose in 2020 to around 898 million euros. This amount is equivalent to 8,9% of total direct insurance production, or 16,4% if only Non-Life premiums are considered, over which most of this tax burden falls onto.

It is worth mentioning that, in view of the figures presented here, it is estimated that in 2020 the insurance sector was responsible for 2,1% of the total national tax revenue (direct and indirect taxes) and for a figure close to 3,5% of the corporate tax revenue<sup>4</sup>.

<sup>4</sup> Ratios calculated based on the information contained in the "Summary of Budget Execution, December 2020" published by the General Directorate of State Budget.

### / TAXES & PARA-FISCAL BURDEN

	2018	2019	2020 <sup>(e)</sup>	+19/18	+20/19
<b>FOR THE ACCOUNT OF POLICYHOLDERS</b>					
Policy Stamp	362,5	390,4	402,4	7,7%	3,1%
Motor Guarantee Fund (MGF)	28,0	29,8	32,0	6,5%	7,5%
Workmen's Compensation Fund (WCF)	79,5	85,9	89,8	8,1%	4,5%
National Civil Defence Authority	22,7	35,5	38,3	56,6%	7,9%
National Medical Emergency Institute (INEM)	111,0	126,2	129,3	13,7%	2,4%
<b>Sub-Total</b>	<b>603,6</b>	<b>667,9</b>	<b>691,9</b>	<b>10,6%</b>	<b>3,6%</b>
<b>FOR THE INSURER'S ACCOUNT</b>					
Third-party Certificate (Motor Policies)	5,8	5,9	6,1	2,8%	3,4%
Portuguese Insurance Supervisory Authority (ASF)	16,7	17,2	15,5	3,3%	-10,1%
Workmen's Compensation Fund (WCF)	9,3	9,5	10,1	2,1%	5,5%
Corporate Tax (IRC) and Surcharge	123,2	93,1	174,3	-24,4%	87,1%
<b>Sub-Total</b>	<b>155,0</b>	<b>125,8</b>	<b>206,0</b>	<b>-18,8%</b>	<b>63,7%</b>
<b>TOTAL</b>	<b>758,7</b>	<b>793,7</b>	<b>897,9</b>	<b>4,6%</b>	<b>13,1%</b>

RATIOS	2018	2019	2020 <sup>(e)</sup>	+19/18	+20/18
<b>IRC Rate (IRC and Surcharge/Gross Op. Profit)</b>	<b>17,5%</b>	<b>20,1%</b>	<b>23,7%</b>	<b>2,6 p.p.</b>	<b>3,6 p.p.</b>
<b>Tax and Para-fiscal Burden / Direct Ins. Premiums</b>	<b>5,8%</b>	<b>6,4%</b>	<b>8,9%</b>	<b>0,6 p.p.</b>	<b>2,6 p.p.</b>
Policyholders	4,6%	5,4%	6,9%	0,8 p.p.	1,5 p.p.
Insurers	1,2%	1,0%	2,0%	-0,2 p.p.	1,0 p.p.
<b>Tax &amp; Para-fiscal Burden / Non-Life Direct Ins. Premiums</b>	<b>15,5%</b>	<b>15,0%</b>	<b>16,4%</b>	<b>-0,5 p.p.</b>	<b>1,5 p.p.</b>

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.



## 09. LIFE SEGMENT



In 2020, the direct insurance premiums in the Life segment saw a drop of -34.8% to 4.5 billion euros, accentuating the negative trend started in 2019. In parallel with the challenges associated with the pandemic, this evolution reflects the strong constraints to the development of the business that the Life segment continues to face, particularly in financial products, largely due to the prolonged environment of low interest rates which conditions profitability and, consequently, the attractiveness of new products sold by insurance companies.

According to the data available to APS, this contraction in premiums crossed the entire segment and was not only more accentuated thanks to the posi-

tive evolution of "Other Risk Insurance" and capital insurance "Linked to Investment Funds (non PPR)".

Concerning "Other Risk Insurance", which includes, for example, insurance associated with bank credits, an intra-annual behavior like many of the Non-Life branches was observed. Although their premiums volume registered a year-on-year growth of +1.8% at the end of the year, the truth is that until the end of February (before the pandemic outbreak) these products registered a growth of +5.7%, a growth higher than that observed at the end of 2019 (+3.2%) and more aligned with the expectations existing at the date.

/ LIFE PREMIUMS PORTFOLIO								
	DIRECT PREMIUMS			CHANGE		STRUCTURE		
	2018	2019	2020	+19/18	+20/19	2018	2019	2020
Lifetime Annuity	50	25	18	-50,6%	-27,0%	0,6%	0,4%	0,4%
Others Risk Insurance	929	959	976	3,2%	1,8%	11,5%	13,8%	21,6%
Retirement Saving Plan (PPR)	3 475	3 126	1 179	-10,1%	-62,3%	43,1%	45,1%	26,1%
Non-Linked to Investments Funds	3 009	2 629	756	-12,7%	-71,3%	37,4%	37,9%	16,7%
Linked to Investments Funds	466	497	423	6,7%	-14,9%	5,8%	7,2%	9,4%
Capital Contracts	3 602	2 815	2 347	-21,8%	-16,6%	44,7%	40,6%	51,9%
Non-Linked to Investments Funds	2 295	1 607	861	-30,0%	-46,5%	28,5%	23,2%	19,0%
Linked to Investments Funds	1 306	1 208	1 487	-7,5%	23,1%	16,2%	17,4%	32,9%
Capital Redemption Operations	1	5	0	483,3%	-100,0%	0,0%	0,1%	0,0%
<b>TOTAL GLOBAL</b>	<b>8 057</b>	<b>6 929</b>	<b>4 520</b>	<b>-14,0%</b>	<b>-34,8%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>NEW BUSINESS</b>	<b>6 075</b>	<b>4 911</b>	<b>2 843</b>	<b>-19,2%</b>	<b>-42,1%</b>	<b>75,4%</b>	<b>70,9%</b>	<b>62,9%</b>
<b>REMAINING PREMIUMS</b>	<b>1 982</b>	<b>2 017</b>	<b>1 676</b>	<b>1,8%</b>	<b>-16,9%</b>	<b>24,6%</b>	<b>29,1%</b>	<b>37,1%</b>
Sample:	99,2%	99,1%	98,6%					

U: Million Euros | Source: APS

In turn, the substantial growth in capital insurance "Linked to Investment Funds (non-PPR)" (+23.1%) is, in part, a consequence of a change in the business strategy at the market level, which started in a pre-pandemic phase in response to the prolonged environment of low interest rates, now favoring the offer of linked products (without guarantees of capital or profitability) to the detriment of non-linked products (with guarantees), namely because the former imply lower capital requirements.

In the opposite direction to premiums, in 2020, claims costs increased by +24.9% compared to the same period in the previous year. This increase is fully justified by the evolution observed in the "PPR" products and in the other "Capital Contracts" (+56.0% and +14.8%, respectively), since Life-Risk insurance (Lifetime Annuity and others) recorded

decreases in their claims costs. However, it should be noted that, contrary to what might be expected in the context of the health and financial crisis, "Redemptions/Reimbursement" decreased compared to 2019 (-8.3%), with the increase in claims costs sustained by "Other Causes" (+57.4%), namely due to financial products maturities.

In view of the observed developments, in terms of both premiums and claims costs, it is not surprising that, on the one hand, the Technical Flow for the Life segment as a whole (Premiums + Contributions - Paid Amounts) has decreased substantially between 2019 and 2020 (from +1.2 to -2.7 billion euros) and that, on the other hand, total liabilities (Mathematical Provisions + Financial Liabilities) suffered a drop in the order of -7.2%.

/ CLAIMS COST IN LIFE INSURANCE								
	PAID AMOUNTS			CHANGE		STRUCTURE		
	2018	2019	2020	+19/18	+20/19	2018	2019	2020
Lifetime Annuity	55	54	52	-1,7%	-3,9%	0,8%	0,9%	0,7%
Others Risk Insurance	317	332	291	4,6%	-12,4%	4,7%	5,8%	4,0%
Retirement Saving Plan (PPR)	1 570	1 654	2 579	5,3%	56,0%	23,4%	28,7%	35,8%
Non-Linked to Investments Funds	1 473	1 530	2 451	3,8%	60,2%	21,9%	26,5%	34,0%
Linked to Investments Funds	97	124	128	27,2%	3,3%	1,5%	2,2%	1,8%
Capital Contracts	4 768	3 728	4 281	-21,8%	14,8%	71,0%	64,6%	59,4%
Non-Linked to Investments Funds	2 996	2 228	2 635	-25,6%	18,3%	44,6%	38,6%	36,6%
Linked to Investments Funds	1 772	1 501	1 646	-15,3%	9,7%	26,4%	26,0%	22,9%
Capital Redemption Operations	1	0	1	-55,3%	48,4%	0,0%	0,0%	0,0%
<b>TOTAL GLOBAL</b>	<b>6 712</b>	<b>5 768</b>	<b>7 203</b>	<b>-14,1%</b>	<b>24,9%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>REDEMPTIONS/REIMBURSEMENTS</b>	<b>3 094</b>	<b>2 857</b>	<b>2 620</b>	<b>-7,7%</b>	<b>-8,3%</b>	<b>46,1%</b>	<b>49,5%</b>	<b>36,4%</b>
<b>OTHER CAUSES</b>	<b>3 618</b>	<b>2 911</b>	<b>4 583</b>	<b>-19,5%</b>	<b>57,4%</b>	<b>53,9%</b>	<b>50,5%</b>	<b>63,6%</b>
Sample:	99,2%	99,1%	98,6%					

U: Million Euros | Source: APS



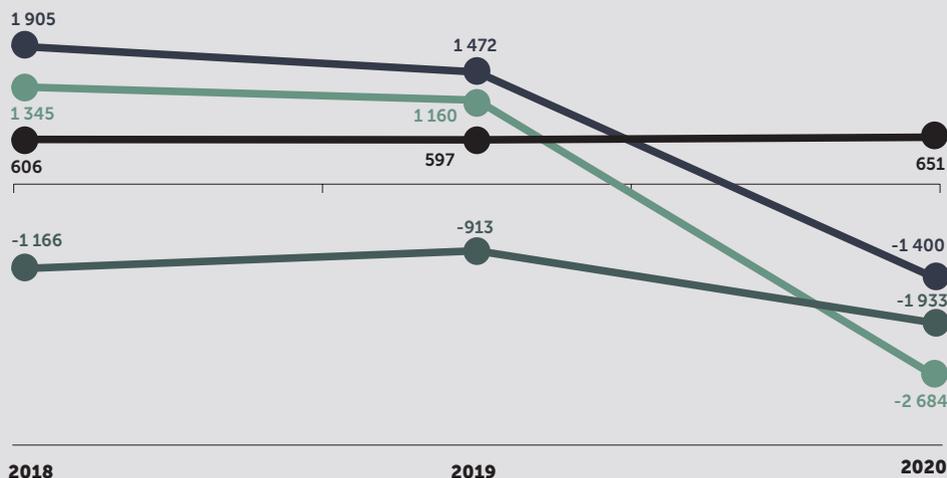
/ MATHEMATICAL PROVISIONS AND FINANCIAL LIABILITY								
	AMOUNTS			CHANGE		STRUCTURE		
	2018	2019	2020	+19/18	+20/19	2018	2019	2020
Lifetime Annuity	500	488	455	-2,3%	-6,9%	1,2%	1,2%	1,2%
Others Risk Insurance	616	580	569	-5,8%	-1,9%	1,5%	1,4%	1,5%
Retirement Saving Plan (PPR)	16 288	18 002	16 718	10,5%	-7,1%	40,6%	43,1%	43,1%
Non-Linked to Investments Funds	14 827	16 074	14 415	8,4%	-10,3%	36,9%	38,5%	37,2%
Linked to Investments Funds	1 461	1 928	2 303	31,9%	19,5%	3,6%	4,6%	5,9%
Capital Contracts	22 718	22 649	20 994	-0,3%	-7,3%	56,6%	54,3%	54,2%
Non-Linked to Investments Funds	11 765	11 317	9 605	-3,8%	-15,1%	29,3%	27,1%	24,8%
Linked to Investments Funds	10 953	11 332	11 388	3,5%	0,5%	27,3%	27,2%	29,4%
Capital Redemption Operations	8	12	12	54,4%	-4,9%	0,0%	0,0%	0,0%
<b>TOTAL GLOBAL</b>	<b>40 130</b>	<b>41 733</b>	<b>38 747</b>	<b>4,0%</b>	<b>-7,2%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Sample:	99,2%	99,1%	98,6%					

U: Millions Euros | Source: APS

### / TECHNICAL FLOW<sup>(a)</sup>

■ TOTAL LIFE ■ Risk Insurance ■ PPR ■ Capitalization

U: Millions Euros | (a) Technical Flow corresponds to premiums + contributions - amounts paid | Source: APS



## 10. NON-LIFE SEGMENT

According to the provisional data available to APS, in 2020 the Non-Life segment saw a growth in its overall result again to around 402 million euros, that is, +71% when compared to the figures witnessed in 2019, consolidating the growth trend observed since 2017.

Considering a -113 million euros fall in the financial component of the result, the main factor behind the positive evolution of the results of this segment in 2020 was undoubtedly its technical component (+288 million euros year-on-year).

The growth in the technical component of the Non-Life result was the result of an increase in premiums (+3,0%) with a drop of -11,1% on claims costs (net of reinsurance) which naturally led to a drop of around -6,5 pp in the segment's overall claims ratio (from 73,2% in 2019, to 66,7% in 2020). On the other hand, there was also a relative reduction in operating costs and expenses, thus leading to decrease of around -0.6 pp in the segment's operating load.



All combined resulted in a combined ratio of 92,4% (-7,1 pp when compared to the end of 2019), a value that places this indicator below 100% only for the second time since 2008 (the year when the value was 98,8%), and the first time was in the previous exercise. However, this evolutionary profile in 2020 does not cross all Non-Life branches.

The main responsible for this positive evolution of the results in the Non-Life segment was the "Motor" business line, the largest in this segment. Data show an absolute year-on-year growth of around +103 million euros (thus posting a total result of 122 million euros in 2020, versus 19 million euros in 2019). The drop of -10,6 p.p. in the branch's claims ratio is at the origin of this positive evolution of results and caused the combined ratio of the branch to stand at 92,1%, a value below 100% for the first time since 2008 (year in which it registered the value of 95,8%).

The other area responsible for the positive evolution of the Non-Life's results was the "Workmen's Compensation" branch, with a result of increase of +65 million euros (from 50 million in 2019 to +15 million in 2020). In this case, the drop in the loss ratio was -10,9 pp, but this was still insufficient to bring the combined ratio of the branch below 100% (stood at 103,4% at the end of 2020). The "Workmen's Compensation" branch is undoubtedly one of the branches whose evolution is most correlated with the developments observed in economic activity, being one of the ones that most directly felt the impacts of

the pandemic, namely through the implementation of extraordinary mechanisms of moratoriums and adjustments to insurance premiums. Indeed, the impacts of the pandemic on the premium's level in this branch are quite obvious: in February 2020, the premiums recorded a year-on-year growth of +14,7% and at the end of the year, the growth was only +1,2%.

The Health branch contributed with relevance as well to the evolution of the segment's results, with an increase in the technical result of approximately +43 million euros (from +35 million euros observed in 2019 to +78 million recorded in 2020), because of a drop of -5,3 pp in the branch claims ratio. However, this is one of the branches where the future impact of the pandemic is more uncertain, either because of its much higher than normal use once the pandemic crisis is over, or because there will be a possible increase in costs resulting from delays in the clinical diagnosis of certain pathologies.

Finally, the result of another of the most relevant branches of the Non-Life segment has changed, but in the opposite direction: "Fire and other damage". In this branch, the result of the technical account fell by -31 million euros, from 86 million euros in 2019 to 55 million euros in 2020. Unlike the other branches mentioned above, the combined ratio "Fire and other damage" increased + 4,7 pp to 91,0%, even in a context where premiums in this branch rose sharply above the segment average (+ 4,3%).

#### / COMBINED RATIOS - DIRECT INSURANCE<sup>(a)</sup>

		WRITTEN PREMIUMS	CLAIMS RATIO	EXPENSE RATIO	COMBINED RATIO
Accidents & Health	2020.12	2 026	74,4%	20,6%	95,1%
	2019.12	1 962	82,1%	21,4%	103,5%
	2018.12	1 789	78,0%	21,8%	99,8%
Workmen's Compensation	2020.12	906	81,3%	22,1%	103,4%
	2019.12	895	92,2%	22,1%	114,4%
	2018.12	801	85,6%	22,0%	107,6%
Health	2020.12	950	72,1%	16,4%	88,4%
	2019.12	877	77,4%	17,7%	95,1%
	2018.12	807	76,2%	18,8%	95,0%
Fire & Other Damage	2020.12	945	54,0%	37,0%	91,0%
	2019.12	906	50,0%	36,3%	86,3%
	2018.12	848	60,7%	37,1%	97,7%
Motor	2020.12	1 877	66,2%	25,8%	92,1%
	2019.12	1 839	76,9%	26,9%	103,8%
	2018.12	1 719	78,4%	27,9%	106,3%
Marine & Transport	2020.12	19	55,2%	24,2%	79,4%
	2019.12	27	57,1%	29,1%	86,2%
	2018.12	25	64,1%	26,8%	91,0%
Aviation	2020.12	10	20,6%	43,8%	64,4%
	2019.12	9	66,9%	22,5%	89,4%
	2018.12	7	7,6%	43,2%	50,8%
Carriage of Goods	2020.12	25	33,4%	29,9%	63,3%
	2019.12	21	39,8%	29,3%	69,1%
	2018.12	21	53,8%	30,2%	84,0%
General Third-party Liability	2020.12	148	48,2%	41,6%	89,8%
	2019.12	143	33,4%	43,6%	77,0%
	2018.12	131	41,5%	38,7%	80,2%
Sundry	2020.12	313	51,8%	29,1%	80,9%
	2019.12	303	51,6%	29,5%	81,1%
	2018.12	286	58,7%	26,2%	84,8%
<b>TOTAL DIRECT INSURANCE</b>	2020.12	<b>3 987</b>	<b>66,7%</b>	<b>25,8%</b>	<b>92,4%</b>
	2019.12	<b>4 133</b>	<b>73,2%</b>	<b>26,4%</b>	<b>99,5%</b>
	2018.12	<b>4 168</b>	<b>73,9%</b>	<b>26,8%</b>	<b>100,7%</b>

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



# **INSURANCE IN PORTUGAL**

INSURANCE MARKET  
OVERVIEW 19/20