

INSURANCE IN PORTUGAL

INSURANCE MARKET
OVERVIEW 20/21

aps ASSOCIAÇÃO
PORTUGUESA
DE SEGURADORES

INSURANCE IN PORTUGAL 2020 / 2021
ASSOCIAÇÃO PORTUGUESA DE SEGURADORES

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INSURANCE IN PORTUGAL

INSURANCE MARKET OVERVIEW 20/21

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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.

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01. INSURANCE IN PORTUGAL

The evolution of the Portuguese economy during 2021 was still affected by the events related to the COVID-19 pandemic. After a historical decline in 2020 (-8.4%), the Portuguese economy witnessed a positive evolution throughout the year 2021 and the real Gross Domestic Product (GDP) grew in line with the most recent estimates, i.e. +4.9% year-on-year.

The insurance sector's evolution in 2021 is not unrelated to the current economic and financial landscape, which is, despite all circumstances, much more favorable than in 2020. Indeed, while 2020 was a year of disruption and surprise (a drop in the total premium volume of -18.7% to figures below 10 billion euros), one of the striking aspects of 2021 is the fact that despite a year spent entirely under pandemic context witnessed nevertheless an annual growth of direct insurance premiums of +34.5%, to more than 13,3 billion euros, despite the different results achieved in the Life and Non-Life segment.

Starting with the Life segment, whose behaviour in 2021 is undoubtedly worth mentioning, this segment grew at an unprecedented pace in this millennium (+69.5% year-on-year) and regained its (rather usual) position as the largest segment in this sector (58% of total premiums), a position it had lost in 2020.

Such Life segment growth rests mainly on "Insurance and Life Operations Linked to Investment Funds", which, with a 4,7 billion euros of premiums, represents around 60% of Life segment and 35% of the total business. To better understand the relevance of the growth witnessed in this type of product it is worth mentioning that the "Insurance and Life Operations Linked to Investment Funds"'s premiums in 2021 is higher than the total output of the Life segment in 2020 (4.6 billion euros).

This growth of "Life Linked" Products (+144.2%) is also there more or less in "PPR (Retirement Savings Plans)" products (+173.7%) and "Non-PPR" products (+136%), when compared to the premiums of "Life Products Not Linked to Investment Funds", which also grew (+15.6%), but much less and with a larger differentiation between "PPR" products (+1.6%) and "Non-PPR" products (+21%).

The remaining 42% of the total premium volume in 2021 occurred in the Non-Life segment, which continues its gradual and sustained evolution: this is already the seventh consecutive year when this segment shows positive annual variations (that is, since 2015), something worth being factored in if we take into account the fact that over the previous period (2008 to 2014), such a year-on-year variation rate took place only in one year.



PREMIUMS PORTFOLIO STRUCTURE

57,9%

Life

42,1%

Non-Life

NET ASSETS

57

Billions of Euros

There are, in this segment, some milestones to highlight in 2021. First, this is the first year when the "Health" premiums exceeded 1 billion 1 billion euros. It is worth mentioning that, in 2014, this amount was 589 million euros, and so therefore in the last 7 years we have witnessed (almost) a doubling of the premium income of this branch.

But we have two further branches with similar developments: "Workmen's Compensation" and "Fire & Other Damage" may have failed to reach an annual premium of 1 billion euros, but they came close (965 and 999,6 billion euros, respectively) and the evolutionary profile of both in the last 7 years – systematically increasing – suggests that this threshold may increase in 2022.

And contrary to the year-on-year evolution of "Workmen's Compensation" (+6.6%), "Health" (+8.7%) and "Fire & Other Damage" (+5.8%), the "Motor" branch witnessed a weaker growth in 2021. The 1,9 billion euros collected thus result in an annual variation of only +1.1%, and the "Third-party Liability Motor premiums practically stagnated (+0.4% compared to 2020). This means a smaller Non-Life market's share for this branch (which, nonetheless, remains the largest in this segment): in 2021, the "Motor" branch represented 33.8% of the total Non-Life business income, whereas in 2020 this share was 35%.

MAJOR AGGREGATES

	2019	2020	2021	+20/19	+21/20
Nr. of Companies	71	66	65	-7,0%	-1,5%
Nr. of Employees	10 150	10 122	10 120	-0,3%	0,0%
Nr. of Brokers	16 763	15 831	11 932	-5,6%	-24,6%
Net Assets	59 894	58 901	57 450	-1,7%	-2,5%
Investment Assets	56 667	55 454	54 193	-2,1%	-2,3%
Own Funds (Equity)	6 191	6 986	6 747	12,8%	-3,4%
Direct Insurance Premiums	12 203	9 945	13 348	-18,5%	34,2%
Life Business	6 993	4 581	7 727	-34,5%	68,7%
Non-Life Business	5 209	5 364	5 621	3,0%	4,8%
Results for the Year	330	504	723	52,9%	43,4%
Life Technical Account	208	311	456	49,1%	46,9%
Non-Life Technical Account	227	369	489	62,5%	32,5%
Non-Technical Account	-105	-175	-222	66,0%	26,7%
Equity / Net Assets	10,3%	11,9%	11,7%	1,5 p.p.	-0,1 p.p.
Results / Equity	5,3%	7,2%	10,7%	1,9 p.p.	3,5 p.p.

U: Million Euros | Source: APS, Autoridade de Supervisão de Seguros e Fundos de Pensões, Banco de Portugal and Instituto Nacional de Estatística.

LIFE AND NON-LIFE PRODUCTION

				VARIACÃO %		VARIACÃO ABSOLUTA	
	2019	2020	2021	+20/19	+21/20	+20/19	+21/20
TOTAL (LIFE AND NON-LIFE)	12 203	9 945	13 348	-18,5%	34,2%	-2 258	3 403
TOTAL LIFE	6 993	4 581	7 727	-34,5%	68,7%	-2 413	3 146
Life Insurance	5 285	2 671	3 063	-49,5%	14,7%	-2 613	392
Insurance linked to Investment Funds	1 704	1 909	4 664	12,0%	144,2%	205	2 754
Capitalisation Operations	5	0	1	-100%		-5	1
TOTAL NON-LIFE	5 209	5 364	5 621	3,0%	4,8%	155	257
Accidents & Health	1 962	2 026	2 185	3,2%	7,8%	63	159
Workmen's Compensation	895	906	965	1,2%	6,6%	10	60
Health	877	950	1 034	8,2%	8,9%	72	85
Fire & Other Damage	906	945	1 000	4,3%	5,8%	39	55
Motor	1 839	1 877	1 898	2,1%	1,1%	38	21
Transport, General Third-party Liability & Sundry	502	517	539	2,9%	4,3%	15	22

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



Millions of euros



02. INSURANCE AND SOCIETY

Both elements of the penetration ratio (premiums/ GDP ratio) increased, but the premiums increase was higher and enough for this ratio to reach 6.4% (3.7% for the Life segment and 2.7% for the Non-Life segment). It is worth remembering that in 2020 the same ratio was 5% (2.3% for the Life segment and 2.7% for the Non-Life segment). The same premium growth, combined with the relative stability as to the size of the population, also

had the natural consequence of increasing the Total per Capita Premium, an indicator that, in 2021, came close to 1,300 euros (751 euros in the Life segment and 546 euros in the Non-life segment, approximately).

In any case, strong evidence of the presence and importance of insurance activity for the economy remains the role taken on by the insurance sector as

INDICATORS					
	2019	2020	2021	+20/19	+21/20
Investment Assets / GDP	26,5%	27,7%	25,6%	1,2 p.p.	-2,1 p.p.
D. I. Premiums / GDP	5,7%	5,0%	6,4%	-0,7 p.p.	1,4 p.p.
Life Business	3,3%	2,3%	3,7%	-1,0 p.p.	1,4 p.p.
Non-Life Business	2,4%	2,7%	2,7%	0,3 p.p.	0,0 p.p.
D. I. Premiums / Nr Inhabitants (Euros)	1 189	967	1 297	-18,7%	34,1%
Life Business	681	445	751	-34,6%	68,6%
Non-Life Business	507	521	546	2,7%	4,7%

Sources: APS, BdP and INE

an institutional investor. By the end of 2021, the total volume of the sector's investment portfolio amounted to more than 54 billion euros (around 26% of the 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, including protecting people and property and the management of savers' savings. Furthermore, this

sector plays an important role in promoting economic development, through medium- and long-term financing of both State and the private business sector.

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

Thus, adding the amount of the written premiums to the amount corresponding to the stamp duty of policies and the parafiscal charged associated to the insurance premiums, we conclude that the total cost borne by policyholders with insurance contracts in the Portuguese market rose to around 14,1 billion euros in 2021.

A substantial part of these premiums – 10,9 billion euros – has since then been returned to policyholders and other beneficiaries by way of settlement payments, provision for future payments related to insurance events and the establishment and reinforcement of liabilities associated to Portuguese's long-term savings.

INSTITUTIONAL INVESTORS' PORTFOLIOS						
	2019	2020	2021	2019%	2020%	2021%
Insurance companies	56 667	55 454	54 193	55,6%	53,3%	50,0%
Pension Funds	21 830	23 046	24 125	21,4%	22,2%	22,3%
Mutual Funds & Money Market	12 995	14 662	19 849	12,7%	14,1%	18,3%
Real-Estate Funds	10 502	10 835	10 206	10,3%	10,4%	9,4%
TOTAL	101 994	103 997	108 373	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.



Additionally, and ignoring both the VAT incurred with goods and services, including claims settlement and 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) the amount of around 1 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, and as regards costs with around 10.000 employees, fees paid to almost 12.000 insurance intermediaries, the amounts paid to suppliers outside the scope of claim processes, an additional 2 billion euros was spent, thus representing important income support for this part of the Portuguese population.

Finally, shareholders were allocated more than 0,7 billion euros corresponding to the results generated by this activity by means of remuneration of invested capital.

In conclusion, ultimately the insurance sector as a whole returned to society about 14,6 billion euros in 2021, that is, an amount equal to the overall amount received from policyholders as premiums and respective tax and parafiscal costs.



PREMIUMS RECEIVED FROM POLICYHOLDERS

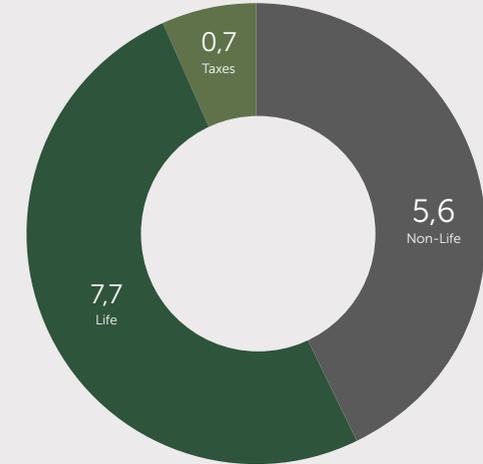
U: Billion Euros

RETURN TO SOCIETY

U: Billion Euros

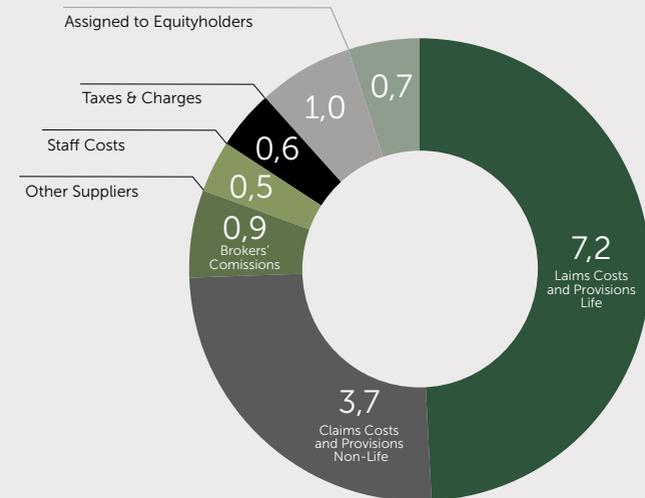
/ PREMIUMS RECEIVED FROM POLICYHOLDERS

U: Billion Euros



| RETURN TO SOCIETY

U: Billion Euros



03. EUROPEAN INSURANCE MARKET

The latest full data available for the European insurance sector is from 2020, thus the figures in this chapter still does not reflect the impacts of the pandemic crisis. In 2020, premiums income in the European market fell by around -3,3%, reaching the amount of 1,133 billion US dollars. Although the year was marked by the start of the COVID-19 pandemic, this did not affect the evolution of the Life and Non-Life segment in the European Union (EU) in the same way.

The Life segment, with the greatest weight in the European insurance market (around 53% in 2020) witnessed a negative premiums change of -9,1%, while the Non-Life segment witnessed a 4,4% growth.

Hence, and given the relevance of the Life segment in France, this market suffered the greatest impact (in absolute terms) as regards premiums and lost its leading position in the total ranking presented – moving from a 22,4% share in 2019 to 20,4% in 2020.



Germany thus increased its share and became the largest European insurance market in terms of total premiums, accounting for 22,8% of the EU market. The German market witnessed a positive growth in both Life and Non-Life segments in 2020 (+4,9% and 6,8%, respectively).

The premium-to-GDP ratio, which stood at the EU level at 6,9%, practically stagnated in 2020 because of the economic circumstances generated by the pandemic, increasing only +0.1 p.p. compared to the previous year. In this ratio, which measures the importance of this sector in the national economy, Holland, France and Italy stand out, with figures higher than the EU total. Ultimately and regarding the Life segment, this ratio fell from 3,7% in 2019 to 3,6% in 2020.

The position of the per capita premium indicator in the EU also declined, standing at 2,335 US dollars in 2020, -1,6% compared to the same period last year. Overall, only Germany and the Netherlands witnessed positive developments (+5,9% and +4,1% respectively). In this context, Portugal keeps witnessing per capita volume levels below the most relevant markets in the European scenario.

INSURANCE MARKETS IN THE EUROPEAN UNION - DIRECT INSURANCE PREMIUMS

	GROSS PREMIUMS WRITTEN STRUCTURE ^(a)					
	LIFE 2020		NON-LIFE 2020		TOTAL 2020	
Germany	107	17,7%	152	28,7%	259	22,8%
France	137	22,7%	95	17,9%	231	20,4%
Italy	119	19,7%	43	8,2%	162	14,3%
Netherlands	14	2,3%	74	13,9%	88	7,7%
Spain	25	4,1%	41	7,8%	66	5,9%
Portugal	5	0,9%	6	1,1%	11	1,0%
TOTAL UE	603	100%	531	100%	1 133	100%

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

INSURANCE MARKETS IN THE EUROPEAN UNION - INDICATORS

	PREMIUMS PER CAPITA PREMIUMS/GDP PIB ^(a)					
	LIFE 2020		NON-LIFE 2020		TOTAL 2020	
Germany	1 281	2,8%	1 827	0,4%	3 108	6,8%
France	1 959	5,1%	1 359	3,5%	3 317	8,6%
Italy	1 972	6,3%	721	2,3%	2 692	8,6%
Netherlands	799	1,5%	4 223	8,1%	5 022	9,6%
Spain	525	1,9%	871	3,2%	1 396	5,2%
Portugal	502	2,2%	602	2,7%	1 104	4,9%
TOTAL UE	1 213	3,6%	1 122	3,3%	2 335	6,9%

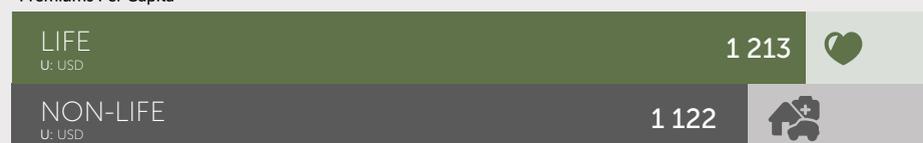
U: USD | Source: Sigma - Swiss Re | (a) Provisional Data

INSURANCE MARKETS IN THE EUROPEAN UNION | 2020

Gross Premiums Written



Premiums Per Capita



04. STRUCTURE OF THE SECTOR

In 2021, the structure of the insurance sector in Portugal did not undergo major changes and it is only worth mentioning the departure of an EU insurance branch. Thus, in total and at the end of 2021, 65 insurance companies were operating in Portugal.

After the decline in representation witnessed in 2020, the so-called local Companies reinforced their importance as regards the market share of direct insurance premiums in 2021, securing 91,6% of the market. This evolution was there thanks to the strong dynamics of the Life segment where these companies generate most of their premiums.

On the other hand, the set of General Agencies (branches of EU countries' enterprises) witnessed a reduction in market penetration by -2.8 percentage points, representing a total share of 8,3% in 2021.

It is worth mentioning the increase in the number of EU companies operating through Freedom of Services regime in Portugal, which increased from 507 in 2020 to 528 in 2021.

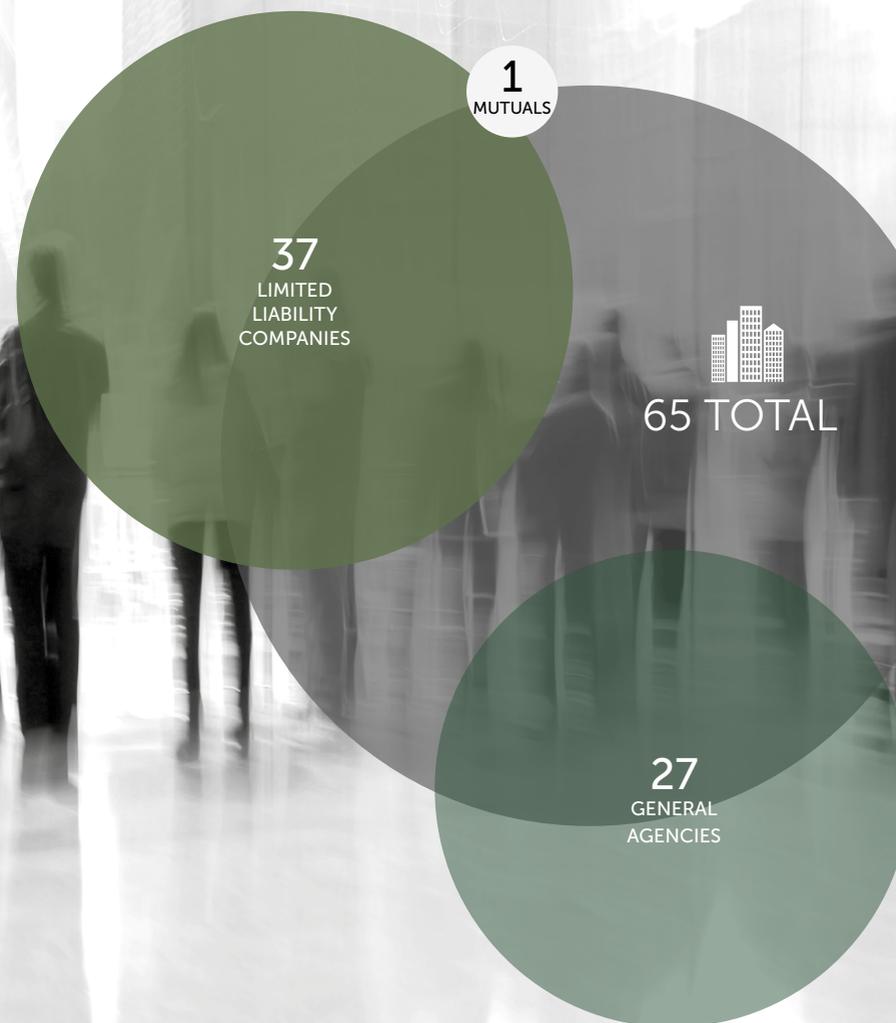
COMPOSITION OF THE MARKET			
	2019	2020	2021
Limited liability companies	39	37	37
National	16	15	15
Foreign ^(a)	23	22	22
Mutuals	1	1	1
General Agencies	31	28	27
Community	31	28	27
Non-Community	0	0	0
TOTAL	71	66	65
Community in FPS (Free Provision of Services)^(b)	542	507	528

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	%
Limited liability companies	10 996	90,1%	8 832	88,8%	12 230	91,6%
Mutuals	11	0,1%	10	0,1%	11	0,1%
General Agencies	1 196	9,8%	1 103	11,1%	1 107	8,3%
TOTAL	12 203	100%	9 945	100%	100%	100%

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

COMPOSITION OF THE MARKET



05. FINANCIAL DIMENSION AND RESULTS

The provisional information on the 2021 insurance sector accounts indicates an aggregate result, calculated by extrapolation from a sample of 93,7%, of around +723 million euros (+43,4% year-on-year).

Most insurance companies in this sample (37 out of 38) posted positive results in 2021, but only 23 witnessed a positive evolution as regards their net results when compared to 2020.

Taking a closer look at the sector's results, both the Life and the Non-Life technical accounts witnessed a positive evolution, although at slightly different rates (+46,9% and +32,5%, respectively, compared to the data available at the end of 2020).

The result of the Life segment's technical account rose to 456 million euros, representing a variation of around +146 million euros compared to 2020. With a sizeable volume of liabilities, and assets allocated to

them, the Life segment has traditionally been more sensitive to fluctuations in the financial markets. The decisive contribution of the financial component for the evolution of the Life technical result in 2021 (-126 million year-on-year) thus comes as no surprise.

Regarding the Non-Life segment, the trend witnessed since 2017 has been consolidated and its total technical result increased again from 369 million euros in 2020 to around 489 million euros, that is, an annual year-on-year variation of +120 million euros. Therefore, the results of the Non-Life technical account are the highest witnessed since the implementation of the new chart of accounts in 2008. Oddly enough and given that the technical component decreased (-2 million euros), the evolution of the financial component (+122 million euros) also a major role in the performance of the Non-Life segment.

A note also for the result of the Non-Technical account, which witnessed a very negative development as well when compared to 2020. The results moved from -175 million euros in 2020 to around -222 million euros in 2021. This evolution occurred almost entirely due to the stark increase of tax-related items (Corporate Tax) payable.

Regarding the aggregated financial position of the insurance sector it is estimated that, at the end of 2021, the asset was around 57,5 billion euros, a fall of -2,5% compared to the previous homologous period. The investment portfolio (including cash and demand deposits), with an absolute variation of -1,3 billion euros (-2,3% year-on-year), played a major role in this development and reached an overall amount of 54,2 billion euros (compared to 55,5 billion in 2019).

Along the same lines, there was a -2,3% change in liabilities, moving from 51,9 billion euros in 2020 to an amount close to 50,7 billion euros at the end of 2021. This evolution in the volume of liabilities can be fully attributed to the behaviour witnessed as regards Life Technical Provisions (liabilities with life-risk agreements and, above all, profit/sharing agreements), which saw a decrease of almost -2,5 billion euros.

The drop in the total value of the liabilities did not increase further because it was partially offset by the year-on-year increase in the value of agreement-related financial liabilities (in particular in liabilities associated related to Unit-Linked contracts) and in the value of Non-Life technical provisions (+756 million and +188 million, respectively).

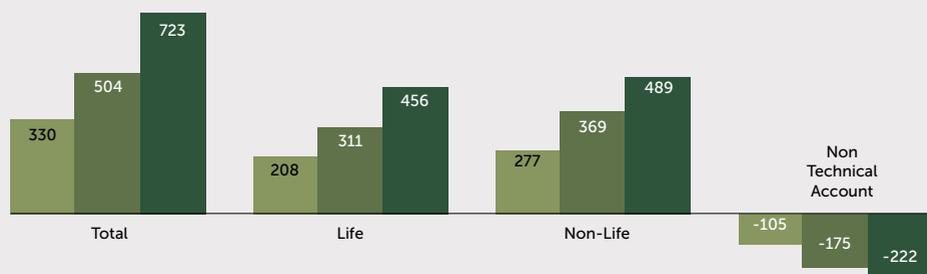
Considering the developments witnessed as regards both assets and liabilities, the sector's total equity inevitably fell by around -239 million euros (-3,4%).

Despite these negative developments in equity, there was a considerable increase (+26 pp) in the value of the sector's Solvency Capital Requirement (SCR) coverage ratio, which at the end of 2021 was 206%.

Also, the Minimum Capital Requirement (MCR) coverage ratio recorded an increase up to 577% (it stood at 534% at the end of 2020), which means that the available capital to cover the minimum capital requirements under the new prudential regime was, in December 2020, almost more than five times those legally required.

TECHNICAL ACCOUNTS RESULTS

2019.12 2020.12 2021.12
U: Million Euros | Note: Extrapolated data based on a sample.



FINANCIAL RESULTS VS TECHNICAL RESULTS

	TECHNICAL COMPONENT			FINANCIAL COMPONENT			TOTAL RESULT		
	2020	2021	Absolute change	2020	2021	Absolute change	2020	2021	Absolute change
Life Technical Account	-71	-51	20	381	507	126	311	456	146
Non-Life Technical Account	294	292	-2	75	197	122	369	489	120
Non-Technical Account				-175	-222	-47	-175	-222	-47
TOTAL	223	241	18	281	482	201	504	723	219

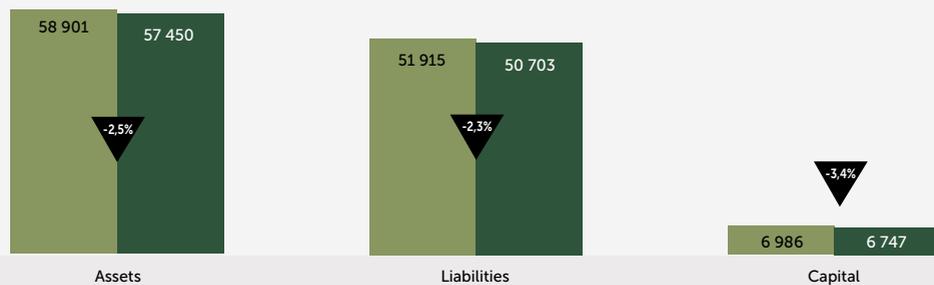
U: Million Euros | Note: Extrapolated data based on a sample.



BALANCE OF INSURANCE BUSINESS

2020.12 2021.12 Var %

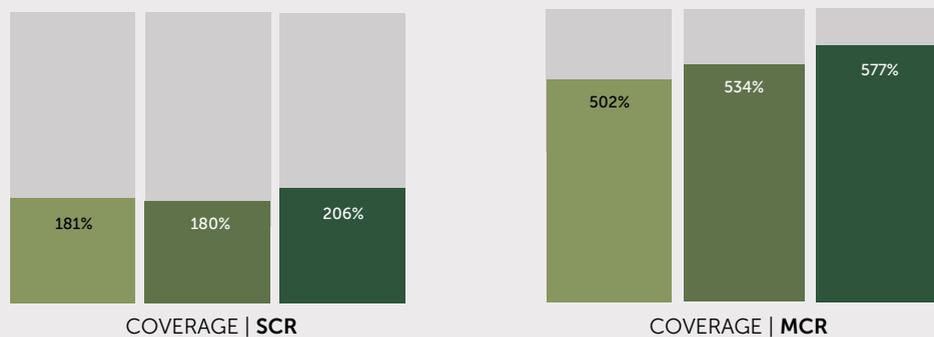
U: Million Euros | Note: Extrapolated data based on a sample..



SOLVENCY RATIO

2019.12 2020.12 2021.12

U: Percentage | Source: ASF QRTs Solvency II Quarterly



06. INVESTMENTS

According to the provisional information delivered to APS, in December 2021, the total value of the investment portfolio of the insurance sector was around 54,2 billion euros, that is, there was a decrease of 1,3 billion euros (-2.3%) compared to the same period in 2020, a drop mainly due to the performance witnessed in the Life segment.

Despite the significant increase in premiums (+68,7%), a further substantial increase in claims costs (+13,5%)¹ – costs that, in absolute terms, exceeded the premiums value – justifies the drop in the volume of the Life segment portfolio – the most representative in the sector, with more than 80% of the total – to values close to 43.5 billion euros (-3.5% compared to 2020).

Concerning the Non-Life segment, 2021 confirmed the growth trend witnessed since 2016, with an increase in the value of the assets in the portfolio of around + 3,6% compared to 2020.

It is also worth mentioning that, despite having a reduced impact on the total asset portfolio, the not assigned portfolio increased +51 million when compared to 2020.

Finally, regarding the asset portfolio breakdown, there is still no information available for the year 2021. However, looking at the information pertaining to 2020 in more detail (which in structural terms probably did not witness significant changes in 2021) we can see that the largest share of investments in the sector is still invested in bonds (69,2%) and witnessed a slight structural decline of -1,3 p.p. compared to 2019, reaching a total volume of 38,4 billion euros at the end of 2020, of which an estimated 12,1 billion euros correspond to Portuguese public debt (21,8% of the total investment portfolio).

TOTAL VALUE OF INVESTMENT PORTFOLIO

54,2
Billion Euros

(-2,3%)

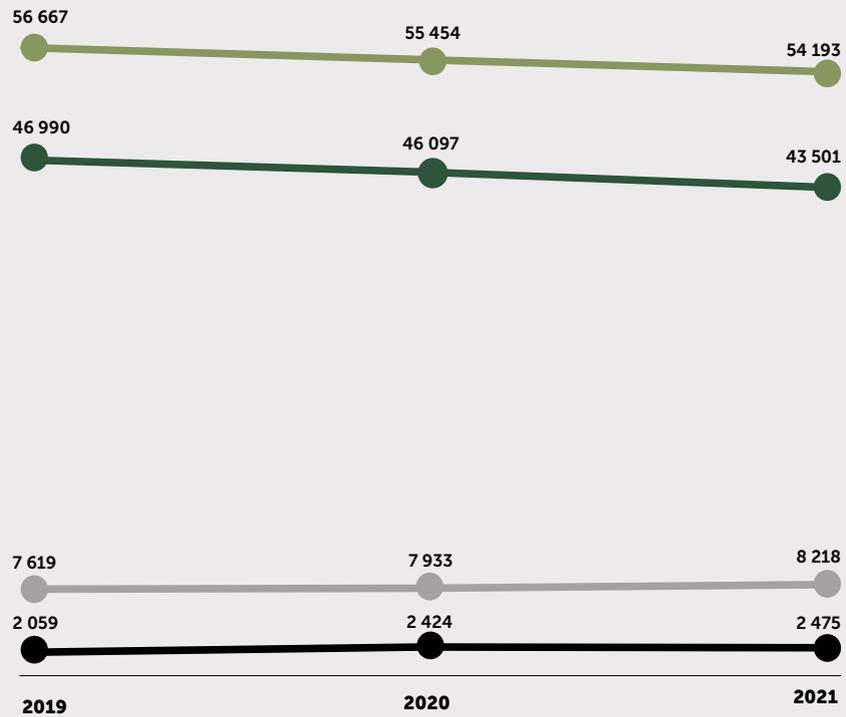
compared to the same period in 2020

¹ Data taken from the APS report "Management Indicators – Claims Costs" pertaining to the month of December 2021.

EVOLUTION OF THE INVESTMENT PORTFOLIO

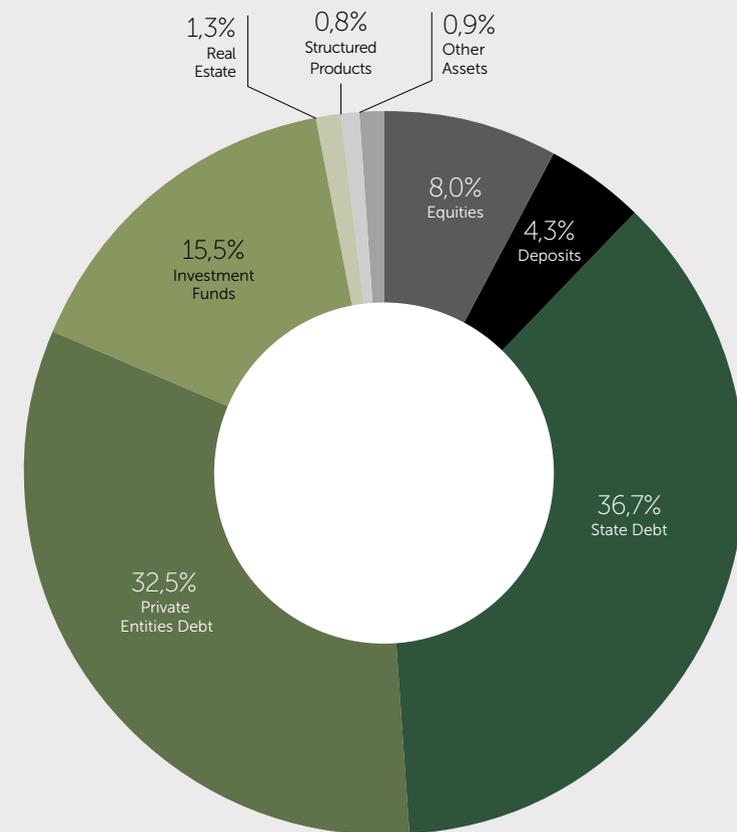
■ TOTAL ■ Life ■ Non-Life ■ Not assigned

U: Million Euros | Source: ASF Tables (Investments_ES and Investments_PPR) | Note: Extrapolated data



ASSET PORTFOLIO BREAKDOWN 2020

Source: ASF Tables (Investments_ES and Investments_PPR)



07. DISTRIBUTION CHANNELS

The latest full data available for the Distribution Channels pertain to the year 2020, but it is clear that the COVID-19 outbreak clearly affected the evolution of the Portuguese economy during that year and the insurance sector would hardly pass unscathed by such an economic and financial scenario. In fact, the outbreak of the pandemic had strong impacts on the Portuguese insurance market and had also an impact on the insurance output, with a drop of -20%, fully attributed to the Life segment, as the Non-Life segment witnessed nonetheless a moderate growth.

These global impacts were also felt in this sector's distribution channels and the most relevant consequences highlighted in this report are the reduction in the banking channel share in the Life segment and the weight increase of direct channels in the Non-Life segment.

In 2020, "Intermediaries" generated 92,9% of the premiums volume of the insurance sector (-0.8 p.p. in annual terms). Direct channels accounted for 5.8% of the premiums (+0.6 p.p. compared to 2019) and the "Other" channel also increased slightly (+0.2 p.p.) reaching a 1.3% share in 2020.

And in more detail, the increase in the weight of "Direct Sale" occurred especially on internet and telephone channels (+0.1 p.p. and +0.5 p.p., respectively). As for "Intermediaries" we see that both the "Insurance Brokers" and the "Intermediaries" have increased their share in the distribution. The first +2.4 p.p. to 12,2%; the second +0.4 p.p. to 66,7%. On the contrary, "Ancillary Insurance Intermediaries" and "Banks" saw their relative weights retract this year, although at different paces (-0.6 p.p. and -7.5 p.p., respectively).

In the Life segment, the annual premiums decrease in 2020 resulted in a slowdown in the importance of "Banks" in the marketing of products in this segment, a decrease that was there in the loss of share by the banking channel (-1.2 p.p. to 76,7%). This loss of share is intrinsically associated with "Non-Linked PPR", which, in 2020, witnessed a year-on-year drop in the distributed volume of almost -72%, primarily affecting the weight of the banking channel, traditionally related to the marketing of these products (-11.4 p.p. to 76.4%).

As for the Non-Life Segment in 2020, the distributed volume grew moderately and such growth was sustained in two channels with fairly different behaviours: the direct channels responded to the relative stagnation witnessed in the "Brokers" channel (+0,6% in annual terms) and posted a growth of +18,6% compared to 2019. This increase in 2020 corresponded to a +1 p.p. increase in the structural weight of "Direct Sales" in the distribution of this segment, standing now at 7,2% of the total distributed volume. Still, the "Intermediaries" channel, with a weight of 90,5% (-0.9 p.p. when compared to the previous year), remains by far the most relevant in the Non-Life segment.

	NON-LIFE		LIFE		TOTAL	
	2019	2020	2019	2020	2019	2020
Intermediaries	91,4%	90,5%	95,4%	95,8%	93,7%	92,9%
Agents	62,2%	61,6%	69,4%	72,9%	66,3%	66,7%
Ancillary basis	8,3%	8,4%	24,3%	20,4%	17,5%	13,9%
Insurance brokers	20,9%	20,5%	1,7%	2,4%	9,9%	12,2%
Reinsurance	0,1%	0,0%	0,0%	0,1%	0,0%	0,0%
Of which: Banks	16,3%	16,6%	77,9%	76,7%	51,6%	44,1%
Of which: CTT (Post Office)	0,0%	0,0%	0,9%	0,4%	0,5%	0,2%
Direct Sale	6,2%	7,2%	4,5%	4,0%	5,2%	5,8%
Branches	4,8%	5,0%	4,5%	4,0%	4,6%	4,5%
Internet	0,5%	0,6%	0,0%	0,0%	0,2%	0,3%
Telephone	0,9%	1,6%	0,0%	0,0%	0,4%	0,9%
Others	2,4%	2,3%	0,1%	0,2%	1,1%	1,3%
TOTAL	100%	100%	100%	100%	100%	100%

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 (supported by the insured), corporate tax incurred by insurers and para-fiscal charges to be paid by the insured and insurers, it is estimated that the fiscal and para-fiscal revenue generated by this activity rose in 2021 to around 992 million euros. This amount is equivalent to 7,3% of total direct insurance production, or 17,3% 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 2021 the insurance sector accounted for 2,2% of the total national tax revenue (direct and indirect taxes) and a figure close to 4,9% of the corporate tax revenue².

² Ratios calculated based on the information contained in the "Summary of Budget Execution, December 2021" published by the General Directorate of State Budget.



TAXES & PARA-FISCAL BURDEN

	2019	2020	2021 ^(e)	+20/19	+21/20
FOR THE ACCOUNT OF POLICYHOLDERS					
Policy Stamp	390,4	402,4	421,7	3,1%	4,8%
Motor Guarantee Fund (MGF)	29,8	30,3	32,2	1,5%	6,4%
Workmen's Compensation Fund (WCF)	85,9	88,5	91,9	3,0%	3,8%
National Civil Defence Authority	35,5	40,2	40,5	13,1%	0,9%
National Medical Emergency Institute (INEM)	126,2	125,1	130,4	-0,9%	4,3%
Sub-Total	667,9	686,5	716,7	2,8%	4,4%
FOR THE INSURER'S ACCOUNT					
Third-party Certificate (Motor Policies)	5,9	6,0	6,2	1,9%	2,7%
Portuguese Insurance Supervisory Authority (ASF)	17,2	15,5	17,7	-9,9%	14,3%
Workmen's Compensation Fund (WCF)	9,5	10,0	10,0	4,8%	-0,2%
Corporate Tax (IRC) and Surcharge	93,1	165,9	241,2	78,2%	45,3%
Sub-Total	125,8	197,5	275,1	56,9%	39,3%
TOTAL	793,7	884,0	991,8	11,4%	12,2%

RATIOS	2019	2020	2021 ^(e)	+20/19	+21/20
IRC Rate (IRC and Surcharge/Gross Op. Profit)	20,1%	23,6%	24,6%	3,5 p.p.	1,0 p.p.
Tax and Para-fiscal Burden / Direct Ins. Premiums	6,4%	8,8%	7,3%	2,4 p.p.	-1,4 p.p.
Policyholders	5,4%	6,8%	5,3%	1,5 p.p.	-1,5 p.p.
Insurers	1,0%	2,0%	2,0%	0,9 p.p.	0,1 p.p.
Tax & Para-fiscal Burden / Non-Life Direct Ins. Premiums	15,0%	16,2%	17,3%	1,2 p.p.	1,1 p.p.

U: Million Euros | (e) 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.



09. LIFE SEGMENT



In 2021, the Life segment premiums witnessed a very substantial annual growth (+69.5%, to 7,7 billion euros). This increase may be due to a number of factors, namely the household savings rate whose levels remain relatively high, and a possible change in the commercial strategy of the banking sector (the main distributor in this segment, with almost 80% of the total volume distributed) and/or a high retention rate of contract maturities which occurred during the year (maturities that, in 2021, representing around 60% of the amounts paid in this segment and that, in volume, grew close to +26,5% year-on-year).

According to the data available to APS, life insurance linked to investment funds played a major role in the premiums growth witnessed. This behaviour is in line with the redesign of the ongoing business strategy which has been in place for some years now and motivated not only by the prolonged environment of very low interest rates, but also by the high capital requirements for financial products offering guarantees, in particular with regard to longer maturities.

LIFE PREMIUMS PORTFOLIO								
	DIRECT PREMIUMS			CHANGE		STRUCTURE		
	2019	2020	2021	+20/19	+21/20	2019	2020	2021
Lifetime Annuity	25	18	11	-27,0%	-36,3%	0,4%	0,4%	0,1%
Others Risk Insurance	959	976	1 016	1,8%	4,2%	13,8%	21,6%	13,3%
Retirement Saving Plan (PPR)	3 126	1 116	1 902	-64,3%	70,5%	45,1%	24,7%	24,8%
Non-Linked to Investments Funds	2 629	756	745	-71,3%	-1,4%	37,9%	16,7%	9,7%
Linked to Investments Funds	497	360	1 157	-27,6%	221,4%	7,2%	8,0%	15,1%
Capital Contracts	2 815	2 410	4 729	-14,4%	96,2%	40,6%	53,3%	61,7%
Non-Linked to Investments Funds	1 607	860	1 222	-46,5%	42,1%	23,2%	19,0%	16,0%
Linked to Investments Funds	1 208	1 551	3 507	28,4%	126,2%	17,4%	34,3%	45,8%
Capital Redemption Operations	5	0	1	-100,0%		0,1%	0,0%	0,0%
TOTAL	6 929	4 520	7 660	-34,8%	69,5%	100%	100%	100%
NEW BUSINESS	4 911	2 843	5 597	-42,1%	96,8%	70,9%	62,9%	73,1%
REMAINING PREMIUMS	2 017	1 676	2 063	-16,9%	23,1%	29,1%	37,1%	26,9%
Sample:	99,1%	98,6%	99,1%					

U: Million Euros | Source: APS

In terms of the type of products, this premiums growth crossed almost the entire segment and was only contradicted by the "Lifetime Annuities" (-36,3%) and "PPR- Non-Linked to Investment Funds" (-1,4%) – albeit with a very residual absolute importance (-7 million euros and -11 million euros, respectively). However, the growth of financial products deserves a special highlight, both as regards "PPR" products (+70,5%) and other "Capitalization Products" (+96,2%).

And just like premiums, the benefits paid related to claims also increased year-on-year, albeit to a lesser degree, both in relative terms (+13,9%) and in absolute terms (growth of around 1 billion euros). Still, in 2021 the total amounts paid continued to exceed the total premiums of the Life segment.

During the year 2021, the benefits paid's growth stand across all types of products but, in absolute terms, it is more relevant in the "PPR" products and the other "Capital Contracts" (+232 million euros and +703 million euros, respectively). As would be expected in the context of a prolonged health and financial crisis, "Redemptions/Reimbursement" increased compared to 2020 (+4,4%), but the increase in amounts paid is mainly supported by "Other Causes" (+19,3%), in particular by financial products maturities.

In view of the developments observed, both in terms of premiums and amounts paid, it is not surprising that, on the one hand, the Technical Flow for the Life segment as a whole (Premiums + Contributions - Amounts Paid) evolved positively between 2020 and

CLAIMS COST IN LIFE INSURANCE								
	PAID AMOUNTS			CHANGE		STRUCTURE		
	2019	2020	2021	+20/19	+21/20	2019	2020	2021
Lifetime Annuity	54	53	54	-3,4%	2,9%	0,9%	0,7%	0,7%
Others Risk Insurance	332	291	353	-12,4%	21,4%	5,8%	4,0%	4,3%
Retirement Saving Plan (PPR)	1 654	2 579	2 810	56,0%	9,0%	28,7%	35,8%	34,3%
Non-Linked to Investments Funds	1 530	2 451	2 596	60,2%	5,9%	26,5%	34,0%	31,6%
Linked to Investments Funds	124	128	215	3,3%	67,6%	2,2%	1,8%	2,6%
Capital Contracts	3 728	4 281	4 985	14,8%	16,4%	64,6%	59,4%	60,8%
Non-Linked to Investments Funds	2 228	2 635	2 968	18,3%	12,7%	38,6%	36,6%	36,2%
Linked to Investments Funds	1 501	1 647	2 016	9,7%	22,4%	26,0%	22,9%	24,6%
Capital Redemption Operations	0	1	1	48,4%	59,0%	0,0%	0,0%	0,0%
TOTAL	5 768	7 204	8 203	24,9%	13,9%	100%	100%	100%
REDEMPTIONS/REIMBURSEMENTS	2 857	2 620	2 735	-8,3%	4,4%	49,5%	36,4%	33,3%
OTHER CAUSES	2 911	4 584	5 468	57,5%	19,3%	50,5%	63,6%	66,7%
Sample:	99,1%	98,6%	99,1%					

U: Million Euros | Source: APS

2021 (from -2,7 to -0,5 billion euros, but remained negative) and, on the other hand, the total liabilities (Mathematical Provisions + Financial Liabilities) fell slightly by -1,6%.



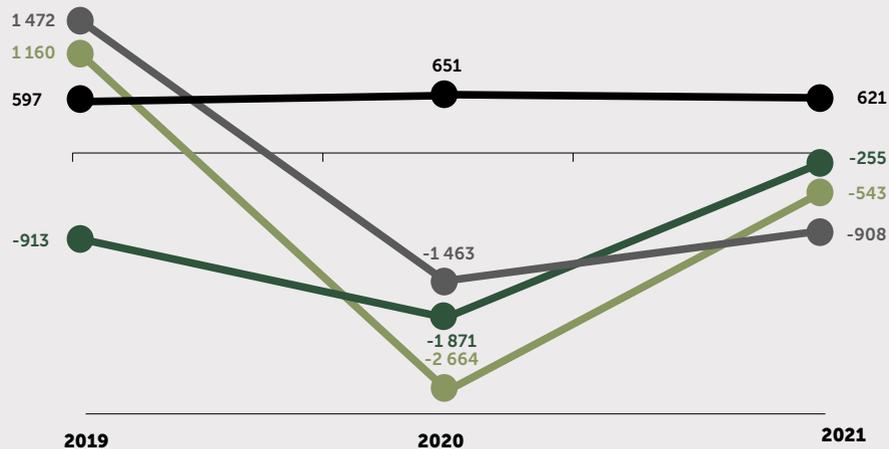
MATHEMATICAL PROVISIONS AND FINANCIAL LIABILITY								
	AMOUNTS			CHANGE		STRUCTURE		
	2019	2020	2021	+20/19	+21/20	2019	2020	2021
Lifetime Annuity	488	455	443	-6,9%	-2,6%	1,2%	1,2%	1,2%
Others Risk Insurance	580	569	542	-1,9%	-4,8%	1,4%	1,5%	1,4%
Retirement Saving Plan (PPR)	18 002	16 719	15 924	-7,1%	-4,8%	43,1%	43,1%	41,7%
Non-Linked to Investments Funds	16 074	14 415	12 629	-10,3%	-12,4%	38,5%	37,2%	33,1%
Linked to Investments Funds	1 928	2 303	3 294	19,5%	43,0%	4,6%	5,9%	8,6%
Capital Contracts	22 649	21 000	21 227	-7,3%	1,1%	54,3%	54,2%	55,6%
Non-Linked to Investments Funds	11 317	9 605	7 907	-15,1%	-17,7%	27,1%	24,8%	20,7%
Linked to Investments Funds	11 332	11 395	13 321	0,6%	16,9%	27,2%	29,4%	34,9%
Capital Redemption Operations	12	12	12	-4,9%	-0,5%	0,0%	0,0%	0,0%
TOTAL	41 733	38 754	38 147	-7,1%	-1,6%	100%	100%	100%
Sample:	99,1%	98,6%	99,1%					

U: Millions Euros | Source: APS

/ TECHNICAL FLOW^(a)

■ 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 2021 the Non-Life segment again witnessed an increase in its overall result to around 489 million euros (compared to 369 million euros witnessed in 2020), that is, +32,5% when compared to the amounts witnessed in 2020, thus consolidating the growth trend that was there since 2017.

However, this growth occurred at the expense of the evolution of the financial component of the result (+122 million euros) since, concerning its technical component, there was a marginally negative evolution (-2 million euros).

The decrease in the technical component of the Non-Life result was mainly due to the slight increase in operating costs and expenses (+0.1 p.p. year-on-year, to 26,1%) since the growth in premiums (+49%) and the increase in claims costs (+6,2%, already net of reinsurance) compensated each other and caused the overall claims ratio of the segment to remain practically unchanged at around 67,4%.

Thus, the combined ratio also grew +0.1 p.p. to 93,5%. This puts the combined Non-Life ratio below 100% (only) for the third time since 2008 (the year when the percentage was 98,8%), with the first and second having been precisely in the two previous years.

However, detailing by line of business, this growth profile in 2021 is not transversal to all Non-Life business.

The main reason for this positive evolution in the results of the Non-Life segment in 2021 was undoubtedly the "Workmen's Compensation" branch. Data show an absolute year-on-year growth of around 143 million euros (thus posting a total result of 141 million euros in 2021, against a negative result of -2 million in 2020 euros). The drop of -6.8 p.p. in this branch's claims rate, partially justified by the decrease in economic activity during the pandemic, contributed to this positive evolution of results and so therefore the combined ratio of this branch stood



at 98.6%, a value below 100% – that is, reaching the technical balance of the branch – for the first time in more than 15 years. However, most of the evolution of this branch's result is due to its financial component (+87 million euros).

Another factor that assisted the positive progress of Non-Life results was the "Motor" branch performance, whose result increased from +9 million euros (from 113 million euros in 2020 to +122 million euros in 2021). In this case, the financial component played the major role in the positive evolution of this result, given that the technical component fell because of an increase in the claims ratio by +1.4 p.p., an evolution that will certainly not be unrelated to the gradual lifting of the restrictive lockdown measures during the year 2021. With this, the combined ratio of the Motor branch grew +1.0 p.p. to 94.1%, but it was still enough to keep this indicator below 100% for the second consecutive year (and for the second time since 2008).

And although to a lesser extent, the "Fire & Other Damage" branch also contributed to the development of the segment's results with an increase in technical results of approximately +3.3 million euros (from +50.3 million euros observed in 2020 to +53.6 million euros in 2021), as a result of drops of -0.4 p.p. in its branch's claims ratio and -0.7 p.p. in its operating load, which resulted in a reduction in the combined ratio to 90.6%.

Finally, in the opposite direction, the result of yet another of the most relevant branches of the Non-Life segment evolved: the "Health" branch. In this branch, there was a decrease of -56 million euros in the results of the technical account, moving from 79 million euros in 2020 to 23 million euros in 2021. In addition to the normalisation of this activity, the "Health" branch should also be faced with an uptake in the number of appointments and exams which were postponed due to the pandemic and with cost increases as a result of fewer early detections of certain pathologies. Hence, the year-on-year growth in the claims ratio and its combined ratio (+5.1 p.p. and +7.9 p.p., respectively) comes as no surprise.

| COMBINED RATIOS - DIRECT INSURANCE^(a)

		WRITTEN PREMIUMS	CLAIMS RATIO	EXPENSE RATIO	COMBINED RATIO
Accidents & Health	2021.12	2 185	74,6%	21,8%	96,4%
	2020.12	2 026	75,4%	20,7%	96,1%
	2019.12	1 962	82,1%	21,4%	103,5%
Workmen's Compensation	2021.12	965	76,2%	22,4%	98,6%
	2020.12	906	83,0%	22,3%	105,4%
	2019.12	895	92,2%	22,1%	114,4%
Health	2021.12	1 034	77,3%	19,2%	96,5%
	2020.12	950	72,2%	16,4%	88,6%
	2019.12	877	77,4%	17,7%	95,1%
Fire & Other Damage	2021.12	1 000	54,4%	36,2%	90,6%
	2020.12	945	54,8%	36,9%	91,7%
	2019.12	906	50,0%	36,3%	86,3%
Motor	2021.12	1 898	68,3%	25,8%	94,1%
	2020.12	1 877	66,8%	26,3%	93,1%
	2019.12	1 839	76,9%	26,9%	103,8%
Marine & Transport	2021.12	28	57,5%	16,1%	73,5%
	2020.12	19	55,7%	21,6%	77,3%
	2019.12	27	57,1%	29,1%	86,2%
Aviation	2021.12	10	101,7%	75,4%	177,0%
	2020.12	10	20,6%	43,8%	64,5%
	2019.12	9	66,9%	22,5%	89,4%
Carriage of Goods	2021.12	20	29,0%	30,7%	59,8%
	2020.12	25	33,2%	29,4%	62,6%
	2019.12	21	39,8%	29,3%	69,1%
General Third-party Liability	2021.12	163	43,3%	39,4%	82,8%
	2020.12	148	48,2%	41,8%	90,1%
	2019.12	143	33,4%	43,6%	77,0%
Sundry	2021.12	317	48,3%	30,6%	78,9%
	2020.12	313	51,5%	29,5%	81,1%
	2019.12	303	51,6%	29,5%	81,1%
TOTAL DIRECT INSURANCE	2021.12	5 621	67,4%	26,1%	93,5%
	2020.12	5 364	67,4%	26,0%	93,4%
	2019.12	5 209	73,2%	26,4%	99,5%

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



INSURANCE IN PORTUGAL

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