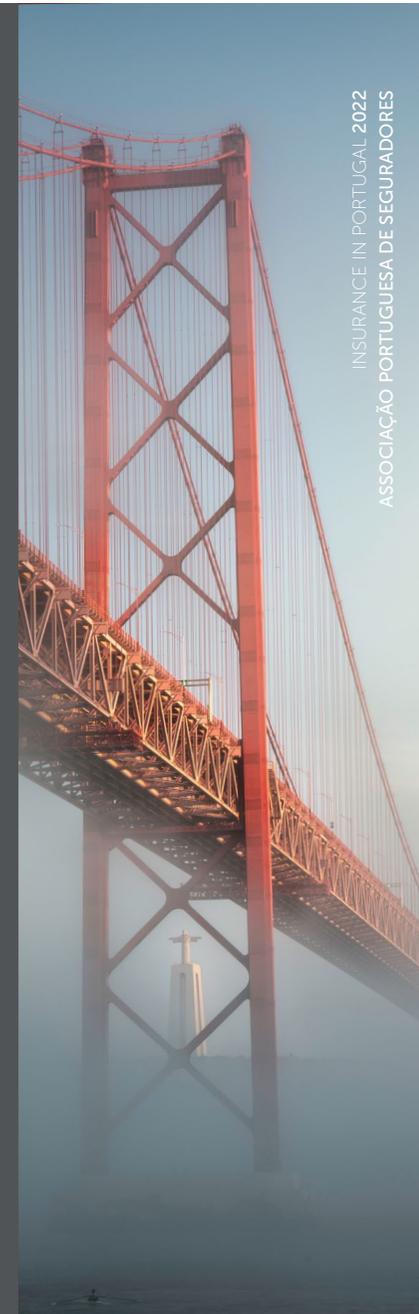


INSURANCE IN PORTUGAL

INSURANCE MARKET
OVERVIEW 2022

aps ASSOCIAÇÃO
PORTUGUESA
DE SEGURADORES



INSURANCE IN PORTUGAL 2022
ASSOCIAÇÃO PORTUGUESA DE SEGURADORES

OCTOBER 2023 - ONLINE

INSURANCE IN PORTUGAL

INSURANCE MARKET OVERVIEW 19/20

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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

After a year of 2021 still taking place in a pandemic context, 2022 was foreseen with some expectation of economic growth by Portuguese and European society, as the pandemic page seemed to be turned. These hopes faded early in the year with the war outbreak in Europe, an external shock to the Portuguese economy which, among other consequences, increased inflationary pressures which were already being felt following the COVID-19 outbreak.

Contrary to year-on-year growth verified in 2021 (+34.0%), the total premium volume in Portugal dropped around -9.5% in 2022, to a value just above 12 billion euros.

MAJOR AGGREGATES					
	2020	2021	2022	+21/20	+22/21
Nr. of Companies	66	64	63	-3,0%	-1,6%
Nr. of Employees	10 195	10 349	10 585	1,5%	2,3%
Nr. of Brokers	15 831	11 932	10 687	-24,6%	-10,4%
Net Assets	58 762	57 367	58 473	-2,4%	1,9%
Investment Assets	55 312	54 119	53 874	-2,2%	-0,5%
Own Funds (Equity)	6 990	6 751	4 849	-3,4%	-28,2%
Direct Insurance Premiums	9 945	13 348	12 082	34,2%	-9,5%
Life Business	4 581	7 727	6 043	68,7%	-21,8%
Non-Life Business	5 364	5 621	6 039	4,8%	7,4%
Results for the Year	504	718	902	42,4%	25,6%
Life Technical Account	310	453	452	46,2%	-0,3%
Non-Life Technical Account	369	477	422	29,2%	-11,6%
Non-Technical Account	-175	-212	29	21,1%	-113,4%
Equity / Net Assets	11,9%	11,8%	8,3%	-0,1 p.p.	-3,5 p.p.
Results / Equity	7,2%	10,6%	18,6%	3,4 p.p.	8,0 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 and INE - Instituto Nacional de Estatística.



63
NUMBER OF COMPANIES



10 585
NUMBER OF EMPLOYEES



10 687
NUMBER OF INTERMEDIARIES

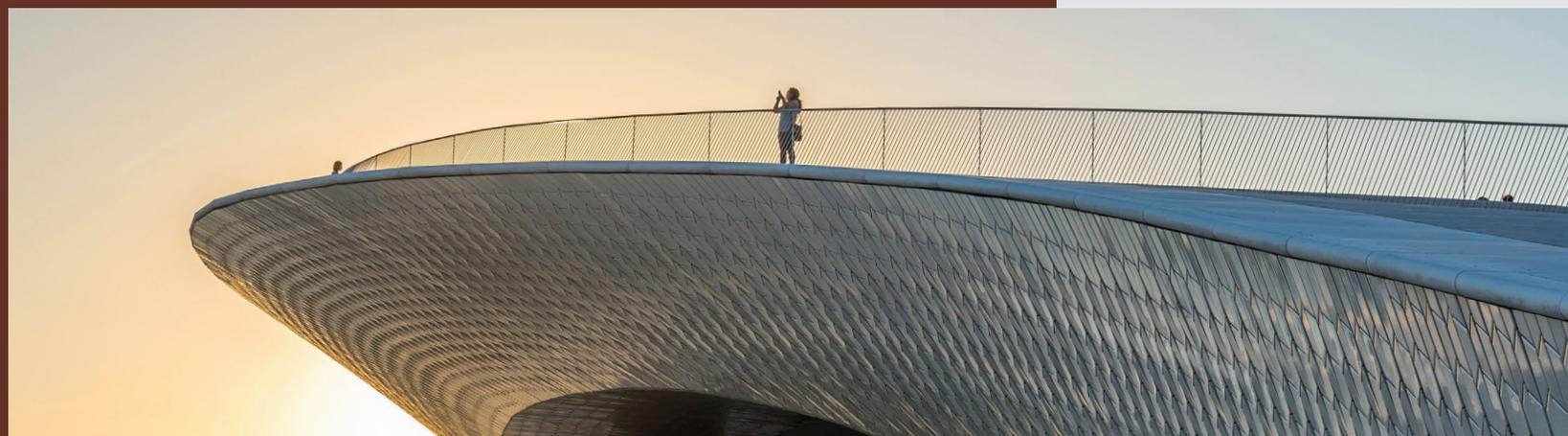
PREMIUMS PORTFOLIO STRUCTURE

50%

Life

50%

Non Life



In a segment analysis, it's clear that this decrease was originated in the Life segment, whose premiums amounted to just over 6 billion euros, representing a very sharp drop (-22.2%) in year-on-year terms. This variation could be justified by several factors, namely the substantial drop in the household savings rate and the limited supply of savings products that are attractive to a more conservative saver profile (with guarantees of capital and/or income), a reflection of the prolonged environment of low interest rates and of the high capital requirements mandatory for financial products that offer guarantees, particularly for longer terms.

In a little more detail, this premiums' drop in the Life segment is essentially based on "Insurance and Life Operations Linked to Investment Funds" which saw a decrease in their premiums by 1,6 billion euros (-34.4% in year-on-year terms), reaching a final value of 3,1 billion euros. Even so, these products represented 25.4% of total production in 2022 (Life segment and Non-Life segment). The negative impact on production linked to Investment Funds was seen in both "PPR" products (-42.1%) and "Non-PPR" products (-31.9%), but in absolute terms "Non-PPR products" had a decrease of over one billion euros.

Premiums in the Non-Life segment continued to grow for the eighth

consecutive year (i.e., since 2015), reaching in 2022 an absolute value of more than 6 billion euros, and basically identical to that of the Life segment. However, it is worth noting that, despite a year-on-year variation of +7.4%, if we consider the real growth rate (with the effect of inflation) the variation becomes negative at -0.4%.

The "Health" branch managed to maintain a strong growth rate year-on-year (+11.8%) and premium income of over one billion euros (1,2 million, the highest value ever), now representing almost 10% of business income (19.1%, if we consider only the Non-Life segment).

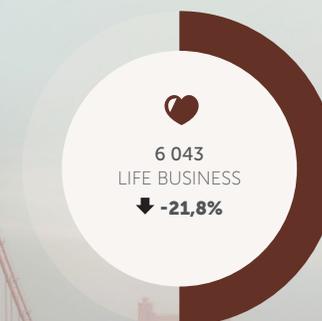
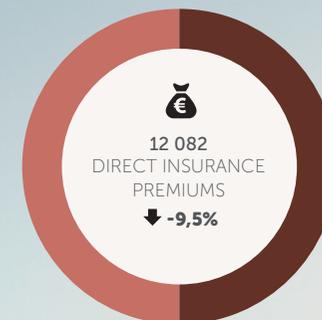
With a systematically evolving profile in recent years, the "Workmen's Compensation" and "Fire & Other Damage" branches also surpassed the barrier of one billion euros for the first time in their history. In year-on-year terms, the "Workmen's Compensation" and "Fire and Damages" sectors saw premiums increase by +6.4% and +7.4%, respectively in 2022.

Still growing, although more moderate and well below the economy's inflation rate, was the "Motor" sector, reaching absolute premiums amount of almost 2 billion euros (+3.6% compared to 2021).

LIFE AND NON-LIFE PRODUCTION

	2020	2021	2022	CHANGE (in %)		CHANGE (in absolute terms)	
				+21/20	+22/21	+21/20	+22/21
TOTAL (LIFE AND NON-LIFE)	9 945	13 348	12 082	34,2%	-9,5%	3 403	-1 266
TOTAL LIFE	4 581	7 727	6 043	68,7%	-21,8%	3 146	-1 684
Life Insurance	2 671	3 063	2 985	14,7%	-2,5%	392	-78
Insurance linked to Investment Funds	1 909	4 664	3 058	144,2%	-34,4%	2 754	-1 605
Capitalisation Operations	0	1	0		-100,0%	1	-1
TOTAL NON-LIFE	5 364	5 621	6 039	4,8%	7,4%	257	418
Accidents & Health	2 026	2 185	2 387	7,8%	9,3%	159	203
Workmen's Compensation	906	965	1 027	6,6%	6,4%	60	62
Health	950	1 034	1 156	8,9%	11,8%	85	122
Fire & Other Damage	945	1 000	1 074	5,8%	7,4%	55	74
Motor	1 877	1 898	1 966	1,1%	3,6%	21	68
Transport, General Third-party Liability & Sundry	517	539	611	4,3%	13,5%	22	73

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





02. INSURANCE AND SOCIETY

The premium reduction, combined with the relative stability of the population size, also had the consequence of reducing the Total per Capita Premium to €1,177, once again divided equally between the Life and Non-Life segments.

But the insurance sector, in addition to its incomparable risk management functions, also stands out as a major institutional investor in our economy. By the end of 2022, the total volume of its investment portfolio was almost 54 billion euros (close to 26% of GDP), which once again places the insurance sector at the top of institutional investors in Portugal.

Rather than the size of the business, the insurance activity stands out from other economic activities due to its strong intervention in areas of clear social interest, such as the protection of people and assets 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 pol-

icyholders with insurance contracts in the Portuguese market rose, in 2022, to around 12,9 billion euros.

A substantial part of these premiums – 8,4 billion of euros – was, from the outset, returned to policyholders and other beneficiaries through compensation payments, the constitution of provisions for future payments related to insurance events and the constitution and reinforcement of associated responsibilities to the long-term savings of the Portuguese.

INDICATORS	2020	2021	2022	+21/20	+22/21
Investment Assets / GDP	27,6%	25,6%	25,6%	-2,1 p.p.	0,0 p.p.
D. I. Premiums / GDP	5,0%	6,4%	5,8%	1,4 p.p.	-0,6 p.p.
Life Business	2,3%	3,7%	2,9%	1,4 p.p.	-0,8 p.p.
Non-Life Business	2,7%	2,7%	2,9%	0,0 p.p.	0,2 p.p.
D. I. Premiums / Nr Inhabitants (Euros)	967	1 297	1 177	34,1%	-9,3%
Life Business	445	751	589	68,6%	-21,6%
Non-Life Business	521	546	588	4,7%	7,7%

Sources: APS, BdP and INE.

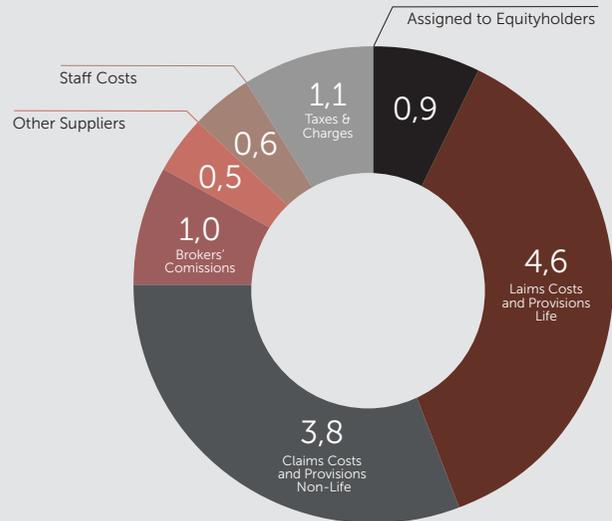
INVESTORS PORTFOLIO	2020	2021	2022	2020%	2021%	2022%
Mutual Funds & Money Market	55 312	54 119	53 874	53,3%	50,0%	52,0%
Real-Estate Funds	23 046	24 125	21 323	22,2%	22,3%	20,6%
Pension Funds	14 662	19 849	17 119	14,1%	18,3%	16,5%
Insurance companies	10 835	10 206	11 196	10,4%	9,4%	10,8%
TOTAL	103 855	108 299	103 512	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.



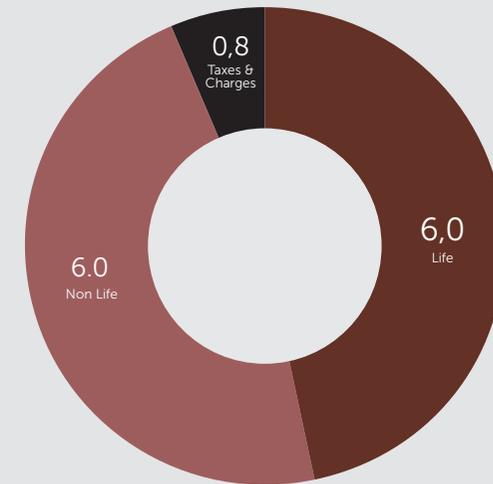
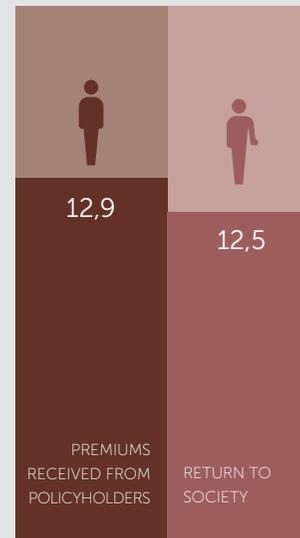
RETURN TO SOCIETY

U: Billion Euros



PREMIUMS RECEIVED FROM POLICYHOLDERS

U: Billion Euros



On the other hand, in costs with approximately 10.6 thousand employees, the commissions paid to almost 12 thousand insurance intermediaries and the amounts paid to suppliers outside the scope of claims processes, a further 2 billion euros were spent, which are the basis of an important support for the income of this part of the Portuguese population.

Finally, shareholders were allocated an additional 0.9 billion euros corresponding to the results generated by the activity, as a form of remuneration for the capital invested.

In conclusion the insurance sector ended up returning around 12.5 billion euros to society in 2022.



03. EUROPEAN INSURANCE MARKET

The year 2022 in Europe was marked by the outbreak of the war in Ukraine, that brought a change to the continent's political and economic paradigm, with an unforecastable conclusion even today. The consequent increase in energy prices and supply chain disruptions contributed to raising the inflation rate to levels that, at least in Portugal, have not been seen since the beginning of the 90s. In this context the European market recorded a premium decrease of around -13.2%, reaching the amount of 1,131 billion USD.

The Life segment, which still holds the largest weight in the total of the European insurance market, registered a negative change in premiums of -16.6%, while the Non-Life segment decreased of -9%. As in Portugal, both Segments approached each other in terms of total premiums, with 53% of premiums collected by the Life segment and 47% for Non-Life.

France (23.1%), Germany (21.4%) and Italy (14.2%) are the countries with the highest share of production in the European Union, notably the French in the Life segment (26.3%) and the Germans in the Non-Life segment (26.8%). If we add the Netherlands to these 3 countries (7.4% share of total production in 2022), we have 2/3 of the production in the universe of European direct insurance. Portugal has seen its share drop 0.1 p.p. to 1.1%.

Regarding premium-to-GDP ratio, which stood in EU level at 6.4%, we see that it fell -0.6 p.p. compared to the previous year. In this ratio, which measures the importance of the sector in the national economy, France, the Netherlands and Italy stand out with higher Premiums/GDP values than the EU as a whole. In the Life segment, this ratio decreased by 0.4 p.p., from 3.8%, in 2021, to 3.4% in 2020. The same ratio in the Non-Life segment decreased by 0.2 p.p., reaching 3.0%.

The position of the per capita premium indicator in the EU also declined, standing in 2022 at 2,377 USD, -11% compared to the same period last year.

This drop crossed the most relevant markets in the European scene and also Portugal, which presented a value of 1,126 USD/inhabitant for this indicator.

INSURANCE MARKETS IN THE EUROPEAN UNION - DIRECT INSURANCE PREMIUMS

	GROSS PREMIUMS WRITTEN STRUCTURE ^(a)					
	LIFE 2022		NON LIFE 2022		TOTAL 2022	
Germany	99	16,6%	166	26,8%	276	21,4%
France	157	26,3%	111	19,6%	296	23,1%
Italy	116	19,4%	46	8,3%	192	14,2%
Netherlands	12	1,9%	79	15,8%	93	7,4%
Spain	29	4,8%	46	7,4%	74	6,0%
Portugal	6	1,1%	7	1,2%	16	1,1%
TOTAL EU	598	100%	585	100%	1 302	100%

U: Mil milhões de USD | 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	1 182	2,4%	1 699	2,4%	2 881	5,9%
France	2 239	5,5%	1 339	3,3%	3 578	8,7%
Italy	1 966	5,8%	750	2,2%	2 716	8,0%
Netherlands	657	1,2%	4 074	7,3%	4 731	8,5%
Spain	601	2,0%	832	2,8%	1 433	4,9%
Portugal	577	2,4%	549	2,3%	1 126	4,6%
TOTAL EU	1 269	3,4%	1 108	3,0%	2 377	6,4%

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

total
2 377

total
1 302

life
1 269

non life
1 108

life
598

non life
585

Gross
Premiums
Written
U: USD Billion

Premiums
Per Capita
U: USD



04. STRUCTURE OF THE SECTOR

In 2022, the structure of the insurance sector in Portugal underwent some changes, notably the merging of a Non-Life insurance company. Thus, there were 36 public limited companies (1/3 of them national). However, after a recovery in representation achieved in 2021, they saw their importance in terms of market share of direct insurance premiums in 2022 decrease again, reaching 90,4% of the market, an evolution promoted by the drop in the Life segment, where these companies hold a large part of the production.

In turn, the set of General Agencies decreased from 27 to 26 in 2022, but increasing their market penetration by +1.2 percentage points, to a total share of 9,5%.

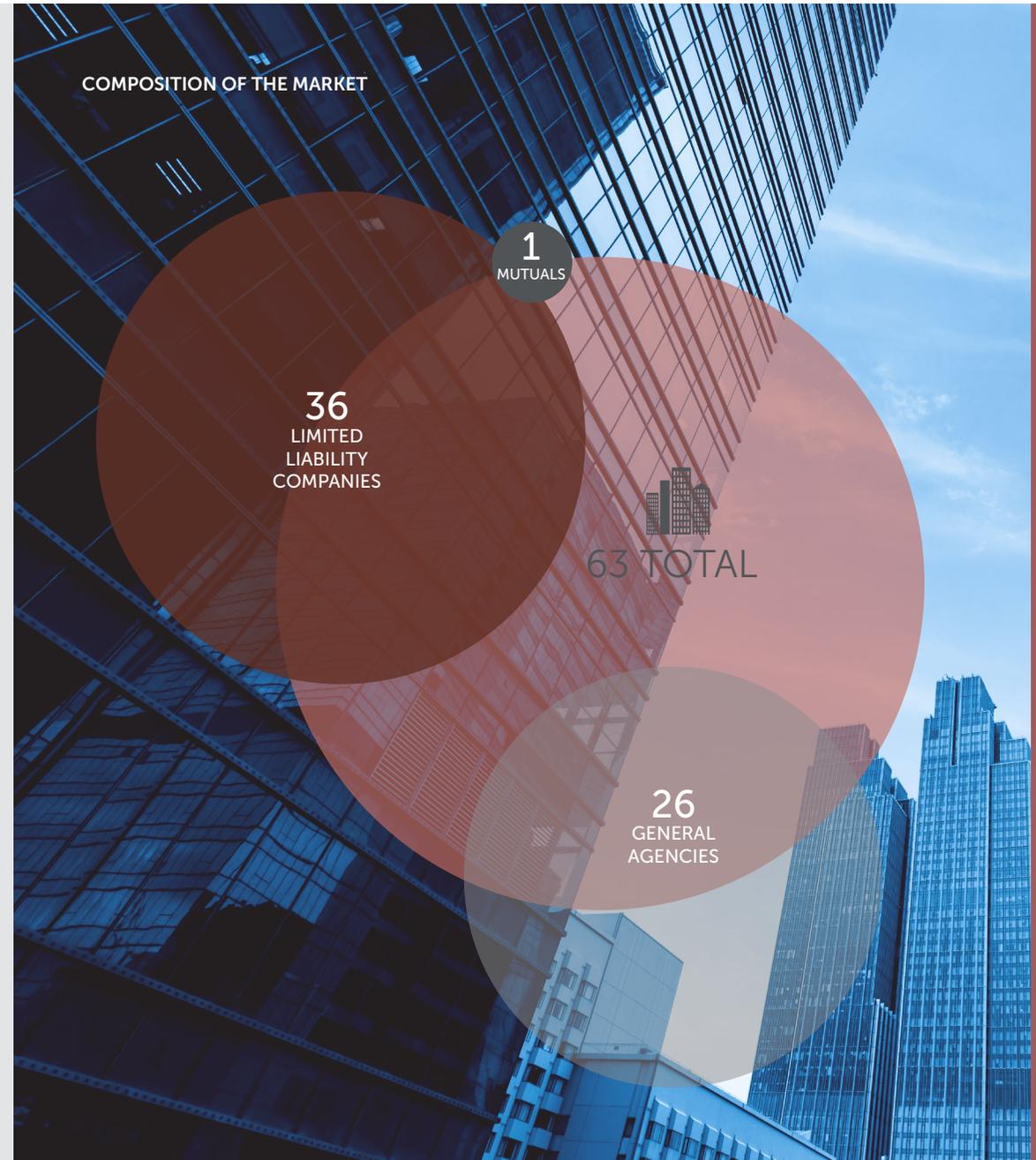
Thus, adding a Mutual to the number of companies mentioned above, and excluding the 540 companies operating through Freedom of Services regime, there were 63 insurance companies operating in Portugal at the end of 2022.

COMPOSITION OF THE MARKET			
	2020	2021	2022
Limited liability companies	37	37	36
National	15	15	12
Foreign ^(a)	22	22	24
Mutuals	1	1	1
General Agencies	28	26	26
Community	28	26	26
Non-Community	0	0	0
TOTAL	66	64	63
Community in FPS (Free Provision of Services) ^(b)	507	525	540

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)						
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Limited liability companies	8 832	88,8%	12 230	91,6%	10 923	90,4%
Mutuals	10	0,1%	11	0,1%	12	0,1%
General Agencies	1 103	11,1%	1 107	8,3%	1 147	9,5%
TOTAL	9 945	100%	13 348	100,0%	12 082	100%

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



05. FINANCIAL DIMENSION AND RESULTS

The provisional information on the 2022 insurance sector accounts indicates an aggregate result, calculated by extrapolation from a sample of 92,6%, of around 902 million euros, which represents a growth of 25,6% compared to the previous year.

This growth in global results does not, however, faithfully reflect the evolution of the sector's economic and financial performance in 2022, which is much less favourable in global terms.

Firstly because, as this result was determined based on the global activity of companies based in Portugal (business in Portugal and respective branches), it was strongly influenced by an extraordinary operation of a Life portfolio acquisition outside Portugal, without the effect of which the result for the 2022 financial year would already be lower than that of 2021.

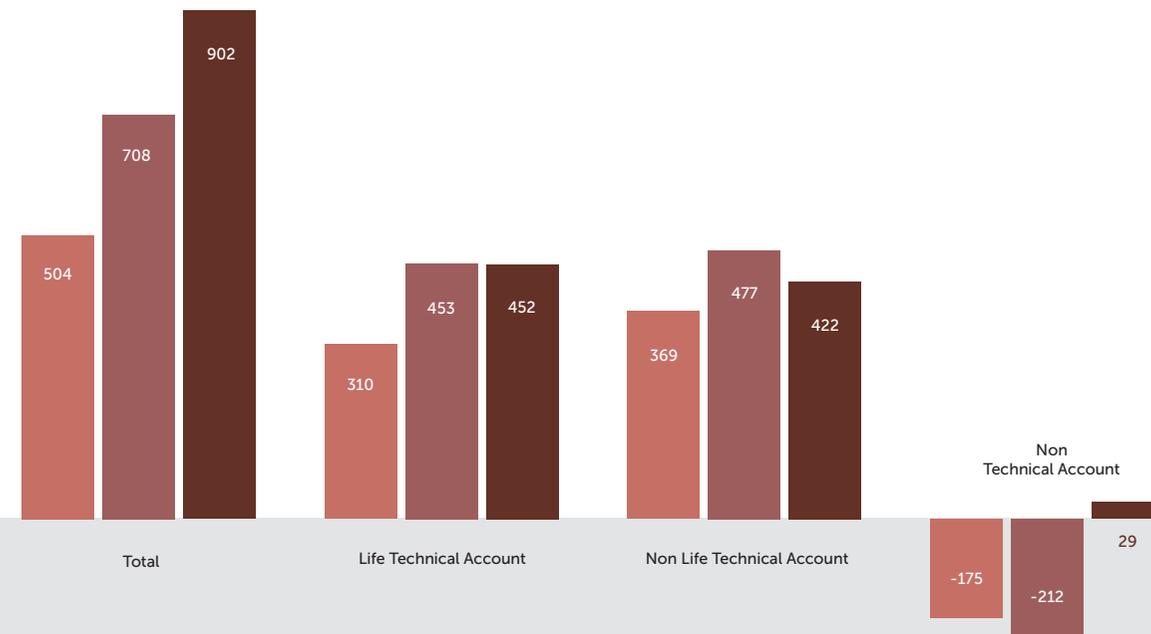
Secondly, because both the technical accounts for the Life segment and the Non-Life segment actually had a negative evolution in relation to 2021, albeit at different rates (-0,2% and -11,7% respectively), with the growth of the sector's overall result being exclusively determined by the non-technical account.

Thirdly, because, although most insurance companies in the sample (33 out of 37) continued to present positive results in the 2022 financial year, the number of those that presented negative results was higher than the previous year (which was just 1). Even so, more than half of the companies (20) had a positive evolution in the value of their net income when compared to that of 2021.

And lastly, because the witnessed growth wasn't reflected into an own capital increase of the sector, rather the opposite: the sector's own capital shrank almost 2 billion euros, when compared with 2021, due to a strong reduction of the revaluation reserves.

TECHNICAL ACCOUNTS RESULTS

■ 2020.12 ■ 2021.12 ■ 2022.12
U: Million Euros | Note: Extrapolated data.



FINANCIAL RESULTS VS TECHNICAL RESULTS

	TECHNICAL COMPONENT			FINANCIAL COMPONENT			TOTAL RESULT		
	2021	2022	Absolute change	2021	2022	Absolute change	2021	2022	Absolute change
Life Technical Account	-47	232	279	501	221	-280	453	453	-1
Non-Life Technical Account	287	316	29	190	106	-84	477	421	-56
Non-Technical Account				-212	29	241	-212	29	241
TOTAL	239	548	308	479	355	-123	718	903	185

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



Regarding the aggregated financial position of the insurance sector, a remark from the outset is an increase of 1,9% in the total assets compared to the same period in 2021, rising its volume at 58,5 billion euros in end of 2022. This evolution incorporates, however, a considerable effect of variation in "Assets due to taxes and fees" (+627 million euros) resulting from IFRS 17 coming into effect on January 1, 2023.

However, the total liabilities of the sector grew more than its assets, specifically +5.9%, which raised it to 53,6 billion euros by the end of 2022. This evolution in the volume of liabilities can be fully attributed to the behaviour of the Life segment Technical liabilities, especially the mathematical provision, which grew more of 5 billion euros.

Considering the developments witnessed in both assets and liabilities, the sector's total equity registered an inevitable significant decrease in 2022, reaching -1,9 billion euros (-28.2%). Noticeably, it is a decrease reflected in the revaluation reserves by adjustment in the fair value, which became significantly negative in 2022.

With these negative developments in equity, there was a downward trend of the solvency capital requirement coverage ratio (RCS or SCR) throughout the year 2022 which measured in December 2022 was 201,1%, a drop of -5.0 p.p. compared to the period counterpart of 2021. Also the minimum capital requirement coverage ratio (MCR) decreased to 526% (it was 560% at the end 2021), which means that the capital available for cover minimum capital requirements under the new prudential regime regressed 34 p.p.

BALANCE OF INSURANCE BUSINESS

■ 2021 ■ 2022 ■ Var %

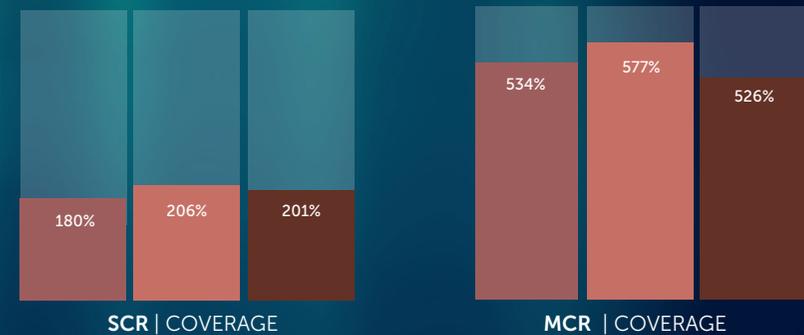
U: Million Euros | Note: Extrapolated data based on a sample.



SOLVENCY RATIO (SOLVENCY II)

■ 2020 ■ 2021 ■ 2022

U: Percentage | Source: ASF QRTs Solvency II Quarterly





06. INVESTMENTS

In December 2022, the total value of the investment portfolio of the insurance sector (including assets held by branches of Portuguese insurance companies in other European Union markets) registered an increase compared to the previous year.

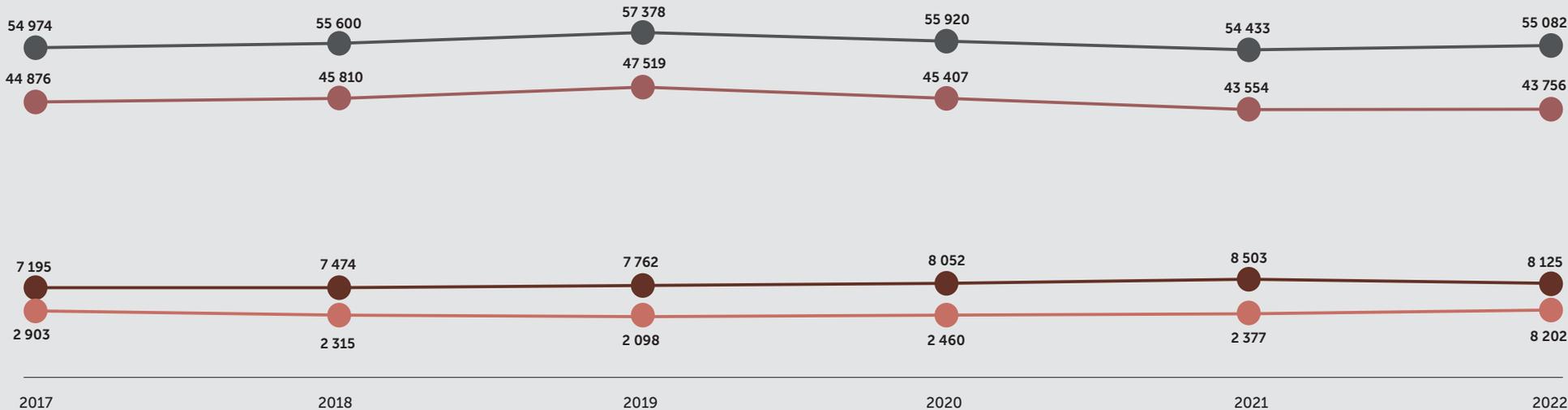
Indeed, in December 2022 and for a sample of 90,6%, the total value of the insurance sector portfolio was around 55,1 billion euros, +1,2% compared to the same period in 2021.

This evolution was almost entirely due to the non-allocated portfolio, which registered an increase compared to the previous year, of around +34,7%. Also in the Life segment there was a slight increase in the total value of the portfolio, of around +0,5%, which translated into an amount of 43,756 million euros at the end of 2022. However, this positive evolution was strongly influenced by the performance of an operator that, having acquired a company in 2022 as a branch in another European market, considerably increased its responsibilities and, consequently, its investment assets. On the other hand, this year there was a decrease in the portfolio allocated to the Non-Life segment by around -4,4%, thus bringing the total value of investments to 8,125 million euros (378 thousand euros less than in 2021).

EVOLUTION OF THE INVESTMENT PORTFOLIO

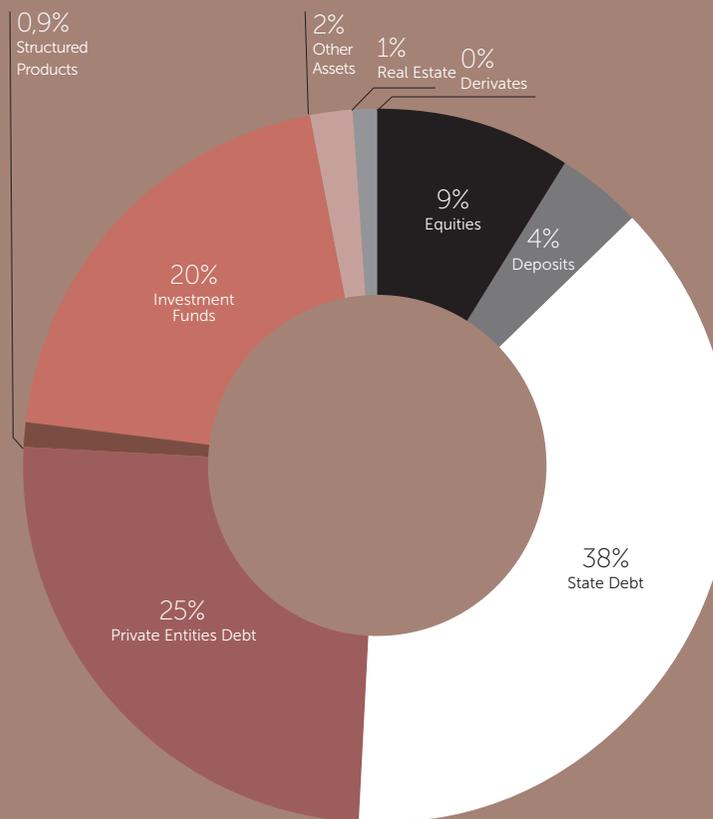
■ TOTAL ■ Life ■ Non Life ■ Not assigned

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



ASSET PORTFOLIO BREAKDOWN

Source: ASF Tables (Investments_ES and Investments_PPR)



TOTAL VALUE OF INVESTMENT PORTFOLIO

55,1

Billion Euros

(+1,2%)

compared to the same period in 2021

Finally, regarding the type of assets that make up the portfolio of insurance sector, it appears that the largest share of investments continues to be invested in bonds (62,6%), this type of asset representing a total volume of 32,1 billion euros at the end of 2022, of which an estimated 8,7 million euros correspond to Portuguese public debt (15,9% of the total investment portfolio).

However, it should be noted that the structural weight of bonds registered a drop of -7.3 p.p. compared to 2020, a percentage that was almost entirely occupied by investments in participation units – a type of asset whose structural weight grew by +6.5 p.p. in 2021 and now represents almost 22% of the total portfolio.



07. DISTRIBUTION CHANNELS

In 2022 the insurance sector experienced two distinct realities in terms of premium production: year-on-year, the Life segment saw its premium volume fall by 21,2%, while the Non-Life segment increased its premium volume by 7,4%. These variations naturally had consequences for the evolution of the structure of distribution channels.

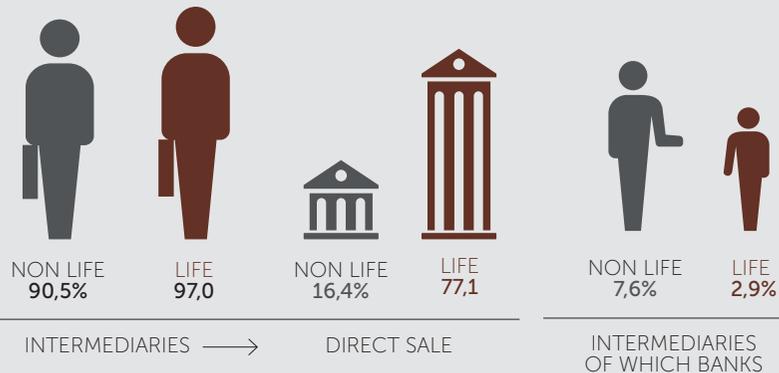
Intermediaries lost 0.7 p.p. of market share in 2022, with this share being transferred to the Direct Sales (+0.4 p.p.) and Others (+0.3 p.p.) channels. However, Intermediaries continued to be responsible for most of the production in 2022 (93.7%), followed by Direct Sales Channels (5,3%) and Others (1,1%).

In greater detail, the increase in the weight of Direct Sales occurred especially in the Branches and Telephone channels (+0.2 p.p. in both cases). On the Intermediaries side, we see that both Insurance Brokers and Intermediaries on an ancillary basis increased their share in distribution. The first +2.6 p.p. to 12,7%; the second +0.2 p.p. to 15,8%.

It was the Agents subchannel, which has the largest production volume, that pulled the Intermediaries' share down, due to the year-on-year drop of -3.4 p.p. in its market share.

In the Life segment, we can conclude that the year-on-year decrease in production in 2022 had the greatest impact on the Agents channel, which saw its market share decrease by 3.3 p.p., now standing at 71,1%. The Banking channel saw its share reduce -2.1 p.p. to 77,1%, with this loss being transversal to all groups of Life modalities.

In the Non-Life segment, the volume distributed in 2022 grew 7.6% above last year, with only two channels having negative year-on-year variations: the Direct Sales channel – Branches and Intermediaries – CTT (-2,1% and -3,6% respectively). There were also two channels that, despite growing, lost market share compared to 2021: the Mediators - Agents channel (-0.6 p.p.) and Direct sales via the internet (-5.5 p.p.).



STRUCTURE OF THE DISTRIBUTION CHANNELS

	LIFE		NON LIFE		TOTAL	
	2021	2022	2021	2022	2021	2022
Intermediaries	97,4%	97,0%	90,4%	90,5%	94,4%	93,7%
Agents	74,4%	71,1%	60,8%	59,5%	68,6%	65,2%
Ancillary basis (2019 and following)	21,2%	23,4%	8,3%	8,3%	15,6%	15,8%
Insurance brokers	1,8%	2,5%	21,2%	22,6%	10,1%	12,7%
Reinsurance	0,0%	0,0%	0,0%	0,1%	0,0%	0,0%
Of which: Banks	79,2%	77,1%	16,0%	16,4%	52,1%	46,4%
Of which: CTT (Post Office)	4,1%	4,0%	0,0%	0,0%	2,3%	2,0%
Direct Sale	2,5%	2,9%	8,0%	7,6%	4,8%	5,3%
Branches	2,5%	2,8%	5,8%	5,3%	3,9%	4,1%
Internet	0,0%	0,0%	0,6%	0,6%	0,3%	0,3%
Telephone	0,0%	0,0%	1,5%	1,7%	0,7%	0,9%
Others	0,1%	0,1%	1,7%	2,0%	0,8%	1,1%
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 to the economy is its contribution to national public finances, reflected through the taxes borne or collected within the scope of its activity.

Considering only stamp duty of policies premiums (supported by the policyholders), corporate tax incurred by insurers and para-fiscal charges to be paid by the insured and insurers, it is estimated that the tax and para-fiscal revenue generated by this activity exceeded one billion euros in 2022. This amount is equivalent to 8,7% of total direct insurance production, or 17,2% 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 2022 the insurance sector accounted for 2,0% of the total national tax revenue (direct and indirect taxes) and a figure close to 3,6% of the corporate tax revenue¹.

¹Ratios calculated based on the information contained in the "Summary of Budget Implementation of December 2022" published by the Directorate-General for State Budget.

TAXES & PARA-FISCAL BURDEN					
	2020	2021	2022 ^(e)	+21/20	+22/21
FOR THE ACCOUNT OF POLICYHOLDERS					
Policy Stamp	402,4	421,7	452,0	4,8%	7,2%
Motor Guarantee Fund (MGF)	30,3	32,2	33,1	6,4%	2,7%
Workmen's Compensation Fund (WCF)	88,5	90,4	99,0	2,1%	9,5%
National Civil Defence Authority	40,2	44,0	46,5	9,6%	5,7%
National Medical Emergency Institute (INEM)	125,1	131,6	138,8	5,2%	5,5%
Sub-Total	686,5	719,9	769,4	4,9%	6,9%
FOR THE INSURER'S ACCOUNT					
Third-party Certificate (Motor Policies)	6,0	6,2	6,4	2,7%	2,6%
Portuguese Insurance Supervisory Authority (ASF)	16,3	18,8	19,0	15,2%	1,3%
Workmen's Compensation Fund (WCF)	10,0	13,2	14,0	31,5%	6,2%
Corporate Tax (IRC) and Surcharge	165,7	224,7	252,9	35,6%	12,5%
Sub-Total	198,0	262,9	292,2	32,7%	11,2%
TOTAL	884,5	982,8	1 061,6	11,1%	8,0%

RATIOS	2020	2021	2022 ^(e)	+21/20	+22/21
IRC Rate (IRC and Surcharge/Gross Op. Profit)	23,6%	23,4%	20,9%	-0,2 p.p.	-2,5 p.p.
Tax and Para-fiscal Burden / Direct Ins. Premiums	8,8%	7,3%	8,7%	-1,5 p.p.	1,4 p.p.
Policyholders	6,8%	5,3%	6,3%	-1,5 p.p.	0,9 p.p.
Insurers	2,0%	1,9%	2,4%	0,0 p.p.	0,4 p.p.
Tax & Para-fiscal Burden / Non-Life Direct Ins. Premiums	16,2%	17,1%	17,2%	0,9 p.p.	0,1 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.



09. LIFE SEGMENT

In 2022, the Life segment was especially penalized by the prolonged environment of low interest rates and the sharp drop in the savings rate, with a particular impact on financial products. The segment's premiums amounted to just over 6 billion euros, representing a sharp decrease of -22,4% year-on-year.

This premium drop is essentially based on "Insurance and Life Operations Linked to Investment Funds" which saw a decrease in their production by 1,6 billion euros (-34,4% year-on-year), reaching a final value of 3,1 billion euros. Even so, these insurance and products still represent 25,4% of total production in 2022 (Life segment and Non-Life segment).

The negative impact on production linked to Investment Funds occurred both in "PPR" products (-42,1%) and in "Non-PPR" products (-31,9%), but in absolute terms "Non-PPR products" had a decrease of over one billion euros.





Just like premiums, the benefits paid related to claims also registered a decrease in 2022 compared to the previous year.

The drop in benefits paid was transversal to practically all modalities in the segment, except for PPR linked to Investment Funds, which doubled when compared to the same period last year.

Capitalization operations also showed an increase in the amounts paid, but this type of branch is worth only 0,4% of the amounts paid in 2022.

In view of the developments observed, both in terms of premiums and amounts paid, the Technical Flow for the Life segment (Premiums + Contributions - Amounts Paid), although remaining in negative territory, registered a positive evolution between 2021 and 2022 (from -0,5 to -0,4 billion euros). On the other hand, the total liabilities (Mathematical Provisions + Financial Liabilities) suffered a drop of -7,4% but remain above 35 billion euros.

LIFE PREMIUMS PORTFOLIO

	DIRECT PREMIUMS			CHANGE		STRUCTURE		
	2020	2021	2022	+21/20	+22/21	2020	2021	2022
Lifetime Annuity	18	11	14	-36,3%	24,3%	0,4%	0,1%	0,2%
Others Risk Insurance	976	1 017	1 028	4,2%	1,1%	21,6%	13,3%	17,3%
Retirement Saving Plan (PPR)	1 116	1 719	1 421	54,1%	-17,4%	24,7%	22,4%	23,9%
Non-Linked to Investments Funds	756	745	751	-1,4%	0,8%	16,7%	9,7%	12,6%
Linked to Investments Funds	360	974	670	170,6%	-31,2%	8,0%	12,7%	11,3%
Capital Contracts	2 410	4 912	3 480	103,8%	-29,1%	53,3%	64,1%	58,6%
Non-Linked to Investments Funds	860	1 175	1 021	36,6%	-13,1%	19,0%	15,3%	17,2%
Linked to Investments Funds	1 551	3 737	2 459	141,0%	-34,2%	34,3%	48,8%	41,4%
Capital Redemption Operations	0	1	0	-	-100,0%	0,0%	0,0%	0,0%
TOTAL	4 520	7 660	5 943	69,5%	-22,4%	100%	100%	100%
NEW BUSINESS	2 843	5 595	4 272	96,8%	-23,7%	62,9%	73,0%	71,9%
REMAINING PREMIUMS	1 676	2 065	1 672	23,2%	-19,0%	37,1%	27,0%	28,1%
Sample:	98,6%	99,1%	98,7%					

CLAIMS COST IN LIFE INSURANCE

	PAID AMOUNTS			CHANGE		STRUCTURE		
	2020	2021	2022	+21/20	+22/21	2020	2021	2022
Lifetime Annuity	53	53	49	-0,2%	-6,2%	0,7%	0,6%	0,8%
Others Risk Insurance	291	354	314	22,0%	-11,5%	4,0%	4,3%	4,9%
Retirement Saving Plan (PPR)	2 579	2 810	2 418	9,0%	-14,0%	35,8%	34,3%	38,1%
Non-Linked to Investments Funds	2 451	2 596	1 983	5,9%	-23,6%	34,0%	31,6%	31,3%
Linked to Investments Funds	128	215	435	67,6%	102,6%	1,8%	2,6%	6,9%
Capital Contracts	4 281	4 985	3 539	16,4%	-29,0%	59,4%	60,8%	55,8%
Non-Linked to Investments Funds	2 635	2 967	2 061	12,6%	-30,5%	36,6%	36,2%	32,5%
Linked to Investments Funds	1 647	2 017	1 478	22,5%	-26,8%	22,9%	24,6%	23,3%
Capital Redemption Operations	1	1	23	59,0%	2082,6%	0,0%	0,0%	0,4%
TOTAL	7 204	8 203	6 342	13,9%	-22,7%	100%	100%	100%
REDEMPTIONS/REIMBURSEMENTS	2 620	2 737	2 797	4,5%	2,2%	36,4%	33,4%	44,1%
OTHER CAUSES	4 584	5 466	3 546	19,2%	-35,1%	63,6%	66,6%	55,9%
Sample:	98,6%	99,1%	98,7%					

U: Million Euros | Source: APS

MATHEMATICAL PROVISIONS AND FINANCIAL LIABILITY								
	AMOUNTS			CHANGE		STRUCTURE		
	2020	2021	2022	+21/20	+22/21	2020	2021	2022
Lifetime Annuity	455	443	428	-2,6%	-3,3%	1,2%	1,2%	1,2%
Others Risk Insurance	569	542	525	-4,8%	-3,1%	1,5%	1,4%	1,5%
Retirement Saving Plan (PPR)	16 719	15 924	14 633	-4,8%	-8,1%	43,1%	41,7%	41,4%
Non-Linked to Investments Funds	14 415	12 629	11 491	-12,4%	-9,0%	37,2%	33,1%	32,5%
Linked to Investments Funds	2 303	3 294	3 142	43,0%	-4,6%	5,9%	8,6%	8,9%
Capital Contracts	21 000	21 227	19 729	1,1%	-7,1%	54,2%	55,6%	55,9%
Non-Linked to Investments Funds	9 605	7 845	6 878	-18,3%	-12,3%	24,8%	20,6%	19,5%
Linked to Investments Funds	11 395	13 382	12 851	17,4%	-4,0%	29,4%	35,1%	36,4%
Capital Redemption Operations	12	12	7	-0,5%	-39,6%	0,0%	0,0%	0,0%
TOTAL	38 754	38 147	35 322	-1,6%	-7,4%	100%	100%	100%
Sample:	98,6%	99,1%	98,7%					

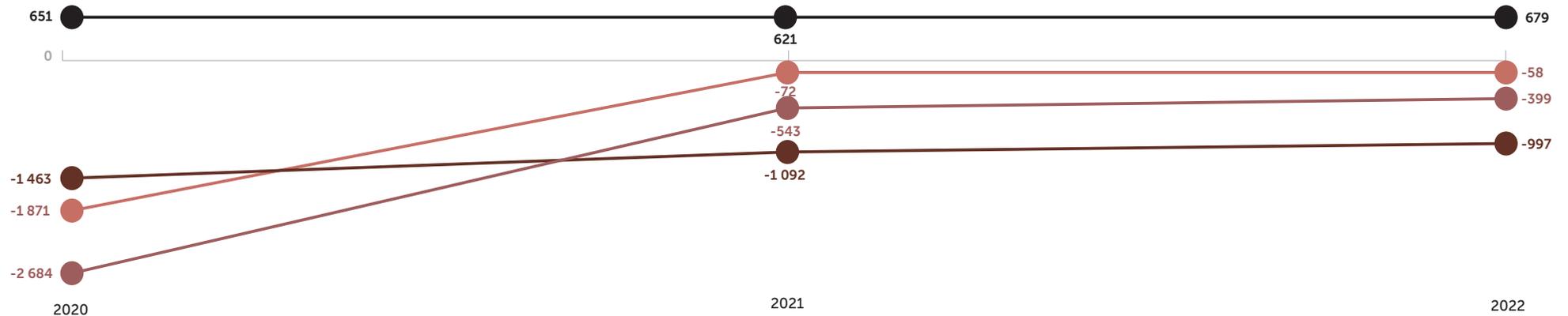
U: Millions Euros | Source: APS



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

Regarding the operating results of the Non-Life segment, there was a reversal of the growth trend that had continued since 2017, with a decrease in total profit of 56 million euros in 2022, to 421 million euros. As in the Life segment, here too the result benefited from an improvement in its technical component (whose balance increased by 29 million euros) through a reduction in the claims costs and the combined ratio, while the balance of the financial component, despite remaining positive, decreased significantly (-84 million euros compared to 2021).

The main responsible for the negative evolution of Non-Life results in 2022 was, without a doubt, the "Motor" branch. This branch recorded a variation in its result of -88 million euros, going from 119 million euros, in 2021, to just 31 million euros, equivalent to less than 2% of the premiums volume. In this case, the negative evolution of the result is almost entirely attributable to its technical component, resulting from increases in the claims ratio by +4.1 p.p. (to 72,5%) and the expense ratio by +1.2 p.p. (to 26,9%), which raised the combined ratio to a level close to 100% (99,5%, compared to 94,2% in 2021). In general, it reflected the end of the confinements of the pandemic period, with a partial return to the car circulation patterns of the immediately previous years, even though the claims costs remained below those of 2019 and 2018.





Additionally, the "Fire & Other Damage" branch also had a negative impact on the economic performance of the Non-Life segment. The result of this branch showed an absolute year-on-year decrease of 47 million euros between 2021 and 2022 (to just 8 million euros), once again due to the deterioration of its technical component. What stands out here is the 5.0 p.p. increase in the claims costs, which can be associated with the occurrence of some extreme natural events, especially at the end of the year, affecting all segments of Multiple Risk insurance.

In the opposite direction, the results of the Accidents & Health branch evolved, including two of its main sub-branches, "Workmen's Compensation" and "Health".

In "Workmen's Compensation" the growth in the balance reached 59 million euros, rising from 128 million euros in 2021 to 187 million euros. With a significant deterioration in its financial component (which in 2021 had been exceptionally high), it was the containment of the claims ratio (-15.9 p.p.) that contributed to this improvement due to a negative variation in the claims provision that, in turn, were influenced by the increase in long-term interest rates, since the amounts paid with claims grew above the premiums volume.

In "Health", the improvement in results was much more moderate (+12 million euros), benefiting from an also moderate containment of the accident rate. The results of this branch remain, in fact, relatively low (36 million euros in 2022), equivalent to less than 4% of the value of the premiums.

COMBINED RATIOS - DIRECT INSURANCE^(a)

		WRITTEN PREMIUMS	CLAIMS RATIO	EXPENSE RATIO	COMBINED RATIO
Accidents & Health	2022.12	2 387	67,3%	22,0%	89,3%
	2021.12	2 185	74,9%	21,7%	96,6%
	2020.12	2 026	75,4%	20,7%	96,1%
Workmen's Compensation	2022.12	1 027	60,9%	22,5%	83,4%
	2021.12	965	76,8%	22,5%	99,3%
	2020.12	906	83,0%	22,3%	105,4%
Health	2022.12	1 156	77,0%	19,3%	96,3%
	2021.12	1 034	77,3%	19,1%	96,4%
	2020.12	950	72,2%	16,4%	88,6%
Fire & Other Damage	2022.12	1 074	59,7%	37,3%	97,0%
	2021.12	1 000	54,7%	35,8%	90,5%
	2020.12	945	54,8%	36,9%	91,7%
Motor	2022.12	1 966	72,5%	26,9%	99,5%
	2021.12	1 898	68,4%	25,7%	94,2%
	2020.12	1 877	66,8%	26,3%	93,1%
Marine & Transport	2022.12	31	39,0%	16,9%	55,9%
	2021.12	28	57,4%	15,8%	73,1%
	2020.12	19	55,7%	21,6%	77,3%
Aviation	2022.12	11	26,1%	39,2%	65,4%
	2021.12	10	101,7%	76,3%	178,0%
	2020.12	10	20,6%	43,8%	64,5%
Carriage of Goods	2022.12	22	45,8%	26,1%	71,9%
	2021.12	20	29,1%	30,7%	59,8%
	2020.12	25	33,2%	29,4%	62,6%
General Third-party Liability	2022.12	181	23,8%	40,7%	64,5%
	2021.12	163	43,9%	39,2%	83,2%
	2020.12	148	48,2%	41,8%	90,1%
Sundry	2022.12	366	50,0%	32,5%	82,5%
	2021.12	317	47,9%	30,7%	78,5%
	2020.12	313	51,5%	29,5%	81,1%
TOTAL DIRECT INSURANCE	2022.12	6 039	66,2%	26,8%	93,0%
	2021.12	5 621	67,6%	26,0%	93,6%
	2020.12	5 364	67,4%	26,0%	93,4%

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



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