

# Insurance & Citizenship

EUROPE AT A CROSSROAD



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*“We are living in an interminable succession of absurdities imposed by the myopic logic of short-term thinking”.*

Looking at the reality that surrounds us, we cannot fail to remember the famous sentence by Jacques-Yves Cousteau, in 1982, who then stated: **“We are living in an endless succession of absurdities imposed by the myopic logic of short-term thinking.”**

And, in fact, we are increasingly living in a world where decisions, the overwhelming majority of decisions, are made with a short-term view.

This relates to some of the issues and solutions that the insurance industry has been advocating for many years, and which, despite the sympathy of the

government and other political agents, for reasons we believe are related to “short term thinking”, haven’t been put into practice.

It is the case, first and foremost, of the adoption of a model of protection and coverage of catastrophic risks for Portugal.

Most developed countries currently have models to cover catastrophic risks, whether it is earthquakes, floods, storms, terrorism, among others, based on a more or less extensive, more or less comprehensive public-private collaboration solutions. Portugal, despite its exposure to all these risks, and even

though Lisbon is the second major European city (after Istanbul) most exposed to seismic risk, is still not duly prepared to face the “day after” of such phenomena.

And why is that? Because these systems imply the obligation to take insurance coverage and this, from a short-term vision, is not always popular.

It’s also the case of the number of lawsuits that fill the Labor courts and related to occupational accidents.

Contrary to car insurance – in which, in the overwhelming majority of situations, insurers settle claims, even bodily damages, through extra-judicial settlement – these cases are taken to court only in marginal situations whenever it’s not possible to reach an agreement. In the case of occupational accidents, even when the injury suffered leads to a 1% disability and the parties agree on everything, the process to ascertain and pay the pension must always go through the Labor Court, even when there is no real controversy or litigation between the parties. As a result, according to the Ministry of Justice, the number of cases in the Labor Courts at the end of 2017, related to “rights resulting from occupational accidents” was 16,954, representing about 60% of the cases pending before these courts (28,458). Each of these lawsuits takes, on average, more than 260 days in court, and the respective costs are quite significant. There is no reason why this cumbersome, time-consuming and costly procedure is mandatory, all the more because we can devise and put into practice swift formulas to check the lawfulness of such agreements, if and when it’s necessary. Once again the short-term vision rules.

Another case is the issue of green card associated with car insurance.

The Portuguese Insurance and Pension Funds Supervisory Authority has a public access file available to check in which insurance company a vehicle is insured and to which the security forces can access to control whether the car is insured. And, moreover, as we live in the digital age, only a short-term view can justify the obligation to issue this particular document.

And to conclude, the best proof that we live, in fact and as Jacques-Yves Cousteau said, in a period of interminable succession of absurdities, the insurance sector was recently confronted with a law that was already in force before it was passed. The law that transposed the Insurance Distribution Directive, despite having been published on January 16, 2019, was already, as we learned in the respective text, in force since October 1, 2018, that is, long before it was passed, enacted and ratified.

Enjoy this issue.



**Alexandra  
Queiroz**

DIRECTOR GENERAL  
APS



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## José Galamba de Oliveira

CHAIRMAN OF APS

The impact of digitalisation on the economy and society in general is unavoidable, and therefore, in the insurance industry, this impact is very visible.

## INTERVIEW

“The insurance industry takes digital as a priority issue”

José Galamba de Oliveira was re-elected Chairman of the Portuguese Association of Insurers. In this interview he addresses the objectives and challenges facing the sector which include protection against catastrophic risks, savings and taxation, occupational accidents, studies on healthcare and car accident rates, along with new fields such as cyber risks, sustainability and the impact of climate change.

**YOU COME FROM A DIFFERENT SECTOR, FROM CONSULTING WHERE YOU GOT TO KNOW SOMEHOW THE WORKINGS OF THE INSURANCE SECTOR. GIVEN YOUR PROXIMITY WITH THIS SECTOR, WHAT ASPECTS WOULD YOU HIGHLIGHT?**

I would like to state the huge current importance of this sector in Portuguese economy, something that is not perceived in other areas of economy or society. It is, in fact, a defining sector, not only given its role as a major institutional investor, but also as a partner of both households and businesses when it comes to take risks in operations and, from this perspective, it's essential for the development, progress and innovation of our economy and society in general.

### NOW THAT YOU HAVE COMPLETED YOUR FIRST TERM IN OFFICE WHAT IS THE BALANCE?

The balance is positive as we have achieved many of the objectives established for this mandate, following the strategic plan developed by our association under the motto “APS Vision 2025”. But as we live in a fast-changing world, we also have goals that were adjusted and others that are new and we now look at the new term with double expectation.

### HOW WAS THE RELATIONSHIP WITH OTHER PARTNERS AND PUBLIC BODIES?

One of its main lines of action of APS is the institutional representation of the insurance sector next to the main stakeholders in our society, from an economic, political and social perspective. I would like to emphasize the intense dialogue with many government officials and with political groups with a seat in parliament and also with supervision as regards communication of proposals to better frame the activity carried out by insurance companies. I would also like to draw the attention to the partnerships developed with third parties in order to raise greater awareness to the importance of the sector in society in general, through the participation in discussion forums or the implementation of our programs in the area of financial education.

### YOU WILL FACE A NEW CYCLE IN THE SECOND TERM THAT IS APPROACHING. WHICH WILL BE THE MAIN OBJECTIVES AND CHALLENGES YOU WILL BE FACED WITH?

Some of the objectives come from the previous term, e.g. the proposal for the creation of a disaster risk protection system, the issue of savings and taxation, studies related to healthcare, or the recurring issue of proposals in order to improve the efficiency of occupational accident insurance. But we want to address new issues that are critical for the future of our industry, more tactical issues, new risks such as cyber risk, for example, or the studies on car accident rates and further strategic issues related to the sustainability of our industry, as it is the case of sustainable finance or the impact of climate change.

### IS THERE ANY AREA OF MAJOR CONCERN IN THE NEXT THREE YEARS? WHAT KEY ISSUES WILL THE INDUSTRY BE FACING?

I wouldn't say that there are areas of concern, there are rather challenges that the industry will be faced with in the short and medium term and for which we want to come up with answers and solutions. For example, the use of new technologies commonly referred to as the challenge of digitalisation, both to improve processes associated with the insurance industry's value chain or the development of new forms of communication with consumers. Furthermore, there is the issue of regulatory challenge associated with the need to maintain a strong commitment towards compliance with regulation that is both extensive and complex and undergoing permanent evolution. And we have the challenge of improving profitability, especially in some branches such as car insurance and occupational accidents. And this is an important challenge given that, only through the improvement

More than new professions or professions of the future, what we see are new skills that will make the many professions in this sector evolve. I am referring to skills related, for example, to artificial intelligence, robotics or data analytics, which we will see increasingly incorporated into the processes of underwriting, pricing or claims management.

of profitability will the industry be able to allocate more resources to continue investing in important areas such as climate change and the impact this phenomenon may have on protecting people and their assets, or the sustainability of finances, which are essential in a more circular and shared economy in the future as mentioned before. We are also aware of the new risks, namely cyber risks, or the risks associated with the emergence of self-driving cars, in order to come up with both coverage and solutions to mitigate these risks.

#### CHANGES IN THE DISTRIBUTION REGIME. WHAT'S YOUR OPINION ON THIS? THIS IS A GOOD OPPORTUNITY TO REQUALIFY?

It is undoubtedly an opportunity to requalify with a view to achieve a higher level of professionalization in the distribution of insurance and towards achieving greater consumer protection. And, for the first time, insurance companies are now considered also insurance distributors and, as such, they fall directly under this new regime. From the very beginning, we have followed the process of transposition into the internal legal order of the Insurance Distribution Directive, through multiple interactions, first with the ASF, and then with the Government and the Parliament, expressing our position on a number of areas of major concern, including, for example, the relationship between and with various types of mediators, preventing and fighting fraud, identifying those in charge of processing personal data and acknowledgement of the experience of insurance company employees operating in the areas of distribution during the qualification process these employees are now subject to.

#### AND THE IMPACT OF DIGITAL?

The impact of digitisation in the economy and in society in general is unavoidable, and this has also a clear impact on the insurance industry. The insurance industry sees digital as a priority issue in order to achieve a closer relationship with consumers by providing new experiences and points of contact offering also, on the other hand, the possibility of using new technologies to develop new business models. This new reality has obviously also a direct impact on the activity of insurance distributors.

#### THE EMERGENCE OF TECHNOLOGICAL AND DIGITAL COMPANIES IN LARGE NUMBERS CAN CHANGE THE INDUSTRY JUST LIKE IN BANKING?

Insurtechs have been mainly partners of insurers in the development and implementation of technological solutions that render the operation of insurers more agile and efficient and add innovative capabilities as regards handling of information. From this perspective, the industry has witnessed a very interesting development of its value chains, thereby improving its capacity to respond, both during the stages of risk assessment and underwriting and in the claims management. With such special added value, these kind of solutions have been explored, for example, in order to improve the business approach to clients, to establish the profile of policyholders according to their risk and to check potential irregularities or fraud.

#### DO YOU BELIEVE THERE IS STILL ROOM FOR CONCENTRATION IN THE PORTUGUESE MARKET?

The quest for greater operational efficiency coupled with rising costs related to regulatory issues has generated concentration dynamics all over the world and Portugal is no exception in this respect. We have seen some of these processes in recent years, which have also accelerated in our country, as a result of the policy of divestment of banking groups, which have put their insurance business on the market, but I believe there will still be room for new processes.

#### WHAT DO YOU HAVE TO SAY ABOUT THE NEW SUPERVISION MODEL?

APS is in favour of improving regulatory and supervisory rules and therefore supports all measures aimed at better defining the areas of responsibility of supervisors, while reinforcing coordination between the current authorities in order to strengthen the effectiveness of supervision with a view to defending the stability of the financial system. We also see the maintenance of an authority with specific competence for the insurance area as very positive, in line with what happens at the level of the supervision structure of the European Union, also based on the tripartite model, with dedicated authorities for each one of the main markets (banking, insurance and securities). As far as insurance is concerned, prudential



and behavioural supervision are two sides of the same coin, and any rigid and artificial separation between them would generate conflicts and lead to partial views on matters that would reduce the effectiveness of regulation and supervision.

#### IS THE INDUSTRY ROBUST ENOUGH TO DEAL WITH ANOTHER CRISIS THAT MAY OCCUR?

The insurance sector has already shown great resilience during the crisis experienced recently in Portugal. Today, also as a result of the new regulatory requirements that culminated in solvency capital reinforcements, the sector is even more solid and resilient, credible, and is now a true stabilizer of our economy. So, yes, the industry is robust and able to face another crisis that may occur.

#### WHAT DO YOU CONSIDER TO BE THE PROFESSIONS OF THE FUTURE IN THIS SECTOR?

More than new professions or professions of the future, what we see are new skills that will help professions in this sector evolve. I am referring to skills related, for example, to artificial intelligence, robotics or data analytics, which we will see increasingly incorporated into the processes of underwriting, pricing or management of claims. See for example the role of the actuary that, in order to take full advantage of new technologies, is evolving in order to accommodate capabilities in the field of data analytics, thereby achieving better results provided by analysis through the use of artificial intelligence methodologies. On the other hand, new algorithms and robotic processes are improving and automating the risk management models, reducing fraud, and improving the efficiency of claims resolution.

The sector is even more solid and resilient, credible, and is now a true stabilizer of our economy.

**YOU SAID PUBLICLY THAT “THE CHALLENGE OF SAVINGS IS A NATIONAL PROBLEM AND ONE THAT WE SHOULD ALL ADDRESS. THERE SHOULD BE AN AGREEMENT BETWEEN THE PARTIES AS THIS IS NOT A POLITICAL BUT RATHER A TECHNICAL PROBLEM”. COULD YOU PLEASE SPECIFY?**

Portugal currently has an extremely low savings rate, even below 5% in the case of households. And the scenario is not more encouraging in the corporate sector. This very low level of savings in our economy reduces the investment capacity in our country and this has an impact on future growth. Given the low level of domestic savings, investment, if it were to happen, would have to come from outside and this would have an impact on our external deficit and that's why I say this is a national problem. On the other hand, the Portuguese society must be aware of the future limitations as regards the social security pension scheme and it must be duly informed and clarified that the replacement rate of salaries for pension will be of the lowest in Europe in the near future – and in some cases it may not reach 30%. The Portuguese thus must be aware of the importance of individual savings – especially for retirement – and should go back to having saving habits.

**HOW HAS THE PHENOMENON OF SAVINGS IN INSURANCE BUSINESS BEEN WORKED OUT? IS THE PROFITABILITY OFFERED TODAY TO SAVERS DIFFERENT FROM THAT OF A FEW YEARS AGO? THIS ISSUE HAS BEEN VERY DEAR TO THIS SECTOR... WHAT INNOVATIVE PROPOSALS ARE OUTLINED?**

Our sector is particularly focused on providing offers focused on long-term savings. A good example of this is the Retirement Savings Plans. We have argued with the Government for the creation of a new type of RSP: an Individual Retirement Plan, based on the original RSP, but which could become a product allowing subscribers to commit to keep it until reaching retirement and enjoying fiscal benefits in the process. In the meantime, we are in the final stage of approval in Europe of an Individual Pan-European Pension Product (PEPP), a savings product geared specifically to retirement and working as individual savings plan. It has a standard set of basic characteristics throughout the European Union, is simple and transparent and focuses on long-term return. But, in order to be successful in Portugal it will necessarily have to offer also tax benefits, thus encouraging its underwriting and fostering sustainable

long-term savings policies. For the Portuguese insurance sector, PEPP is a unique opportunity for the sector to relaunch its offer in the field of individual savings for retirement, either via direct subscription or through companies provided for in the wage package.

**Fifty years have elapsed since a major earthquake occurred in Lisbon and almost two years ago after the occurrence of two large fires, rural or forest, in Portugal. Are we prepared for such disasters? What contributions can this sector offer? What mechanisms can be created or strengthened?**

In general I would say that we are not prepared for a major disaster, especially if it's of seismic in nature. Hence, we believe that it's necessary to create structural solutions involving the creation of a mechanism to protect against disaster risks in our country. This type of disaster mitigation mechanism often involves the creation of a management entity joining the State and insurers with responsibility for the creation and management of a reinsurance pool (access to international reinsurers) and the creation of funds fuelled by contributions from multi-hazard or fire insurance premiums. At APS we have been developing technical studies to prepare a proposal for the creation of this protection mechanism to deal, in the first phase, with losses associated with earthquakes, in the households, expanding on a later stage to other risks of a disaster nature namely major floods, storms or fires.

**In general I would say that we are not prepared for a major disaster, especially of a seismic nature. Hence, we believe that it is necessary to create structural solutions involving the creation of a mechanism to protect against disaster risks in our country.**

**The environment of low interest rates for medium and long term interests, such as the one we have lived in the last few years and how it is expected to last at least during 2019, is a major challenge for our industry, especially for the Life business.**

**STILL ON THE ISSUE OF FIRES WHAT IMPACT DID IT HAVE ON INSURERS?**

The fires that affected the country in June and October 2017 summed more than 5500 claims, which corresponded to a volume of indemnities paid or accrued of more than € 250 million. In addition to the fires there were other extreme events, for which insurers were also called upon to intervene. I am referring in particular to the hurricane Leslie that, in October of 2018, devastated the central region of our country. In this particular case, more than 38,000 insurance contracts were triggered, corresponding to a volume of compensation for damages over €100 million. Despite the severity of these extreme phenomena, the sector has proven to have the operational and financial capacity to offer a timely response, which is publicly acknowledged by several stakeholders.

**16 - DOES THE ENVIRONMENT OF LOW INTEREST RATES FAVOURS OR DISFAVOURS THE SECTOR, A RELEVANT INSTITUTIONAL INVESTOR?**

The environment of low, medium and long-term interest rates, such as the one we have experienced in recent years and that is expected to continue in 2019 is a major challenge for our industry, especially in the Life segment, which will have to ensure the development of the business within amidst a scenario reasonable standards of accumulation of responsibilities and capital requirements.

**18- THE DIGITAL EUROPEAN ACCIDENT STATEMENT IS THE SIMPLEX OF THE SECTOR. WHAT OTHER BRANCHES CAN FOLLOW SUIT.**

Still in the motor insurance there are other areas where we seek to boost the digitalisation processes, such as amending the obligation to issue the green card and replacing it with automated access via ASF or APS databases. But there are other branches where simplification measures are under way, such as the electronic statement of occupational accidents. In this area we also have concrete proposals for simplification, for example, as regards the monthly reporting of companies to insurers which could be done via the payroll of employees.



#### **ELECTION OF THE STATUTORY BODIES OF THE PORTUGUESE ASSOCIATION OF INSURERS**

José Galamba de Oliveira was reappointed last March, Chairman of the Portuguese Association of Insurers (APS).

This General Assembly took place also to appoint the remaining statutory bodies of APS for the next three years.

Una Seguros de Vida now presides over the General Assembly (GA) and Crédito Agrícola Seguros - Companhia de Seguros de Ramos Reais, presides over the Audit Committee (AC).

The Board of Directors (BoD) now includes representatives from Fidelidade, Ageas, Seguradores Unidas, Zurich, Lusitania, Mapfre, MetLife, Generali, GNB - Vida, Santander Totta Seguros - Vida.



**Celeste Hagatong**  
CHAIRMAN OF COSEC

**ASSOCIATED MEMBER**

**COSEC: 50 years of a company that is more than just a building. It's a credit insurance company for the world.**

**The oldest company in the credit insurance activity operating in Portugal celebrates this year its 50th anniversary. For three decades COSEC's "big letters" on top of a building in Lisbon were a true business card for this leading company. The head office was relocated and so the big letters, but the company retained both its initial scope and mission of supporting companies, namely in what concerns exports and is always counting on its two shareholders: BPI and Euler Hermes.**

"COSEC began its activity in 1969, as a private company with capital mainly owned by the Portuguese State. It was subject to State intervention in 1975 and was later on nationalized and became a public company in 1976. In the 1990's it was transformed, again, into a private company with capital mainly owned by the Portuguese State, and was fully privatized in 1992. The company is now owned for more than a decade by the BPI (Caixa Bank Group) and Euler



Hermes (Allianz Group), being this last one the largest credit insurance group in the world".

The above paragraph it is the resume of the 50 years track of the company, as summarised by Maria Celeste Hagatong, current Chairman of COSEC, the leading company in credit and bond insurance in Portugal.

It was in 1969, as described in the pages of the newspaper "O Século" (see picture on the right), in the Noble Hall of Casa da Moeda, that took place the deed of incorporation of a new credit insurance company, under Decree-Law No. 48950, of April 3th.

From then on, Portuguese exporters had a safe haven in this new company that was there to insure the commercial risks they could incur, for example, in case of "bankruptcy or insolvency of the importer" or as a result of "political and extraordinary risks" in the countries they were exporting to.

The initial company's equity, in the amount of 100 million escudos (€500 thousand) was approved and the Public Treasury subscribed 60% of it. As for the remaining 40%

of the company share capital it was subscribed on a first phase by 28 credit institutions and 45 national insurance companies, Portuguese credit institutions and other private individuals or societies.

Since then, "throughout its 50 years the company has not changed its name or its core business - credit insurance and bond insurance - nor its mission to support Portuguese companies, especially in their export and internationalization activities", underlined the Chairman of Cossec.

The history of half a century was also recognized by the "big letters" that until the beginning of last year and for more than 30 years decorated the head office building located in Campo Pequeno (see box) in Lisbon.

**FROM NATIONALIZATION TO PRIVATIZATION**

One of the major concerns in the first years of operation was to hire staff with a higher education level, proficiency in at least two languages, English and French, and with high potential, as set down in one of the first minutes from the Board of Directors of COSEC. The credit insurance business was a brand-new business in Portugal and hence the need

to make sure employees had the right training. That is why COSEC “established a number of programs with different international insurance and reinsurance companies”, she also said.

The company started its activity also as an Export Credit Agency under the mandate of the Portuguese Government. The State support to Exports was until then ensured by the Export Development Fund, but not under credit insurance products.

“Export of two rolling bridges, manufactured by MAGUE (Portuguese metalworking company), to Thailand and Pakistan, with State-guaranteed policies” were the first operations to be approved in the first year of activity. “TMG, a textile company based in the north of the country,” with a close relationship with “COSEC since the second half of the 1970s” and “Celbi (now Altri Group) which had established a large paper pulo plant in the mid 1960’s in Figueira da Foz”, are also on the list of COSEC first clients.

With the nationalization process of Banking and Insurance sector that took place in Portugal in 1975, COSEC was intervened by the Council of the Revolution and an Administrative Committee was appointed for the company. More than a year later, in the end of 1976, COSEC “became a public company” and returned “to management normality with the appointment of corporate bodies by the VI Interim Government”, she recalls, a period during which “Artur Santos Silva, who was then the Secretary of State of Treasury, promoted the review of all legislation concerning credit insurance, either to exports or domestic market,” she points out.

COSEC benefited from being the exclusive operator for this type of insurance, until Portugal joined the European Economic Community (EEC) in 1986, after which new operators and branches of important European credit insurance groups started its activity in the Portuguese market. “The market was since then very competitive”, she assures. The “liberalized market” did not, however, affect the company that today still holds an “clear leading share in the Portuguese market”, both in credit insurance (51%) and in bond insurance (53%).

However, since Portugal accessed to the European Community, it took place the enforcement of Community guidelines that implies major regulatory changes in the insurance sector and also in the credit insurance activity..

In 1989, COSEC changes its by-laws from a public owned

company to a private company with its capital owned by the State. 51% of the capital held until then by the Portuguese State was transferred to Banco de Fomento and Exterior (a public owned bank). In 1992, when BFE became the reference shareholder with 40% of the share capital, 17 Portuguese banks and 8 insurers joined in, and COSEC employees and other small shareholders were granted access to the company’s share capital, ended these two phases of privatization. In 1996 the first COSEC PME policies were issued and three years later COSECnet, an online platform, was created.

#### RELATIONSHIP WITH THE TWO SHAREHOLDERS: BPI AND EULER HERMES

In 1996, BPI acquired 100% of BFE capital and holding thereafter 40% stake in COSEC. Subsequently, a partnership was established with Euler Hermes for the joint management of COSEC, which remains a great success until now.

In 2006, COSEC together with BPI started “the sale of credit insurance through its banking network”, she recalls. “It was an innovative process, unique in Portugal and even in Europe”, states Celeste Hagatong.

BPI is COSEC “main distribution channel” and “brings in the largest number of new clients per year”. The partnership with Euler Hermes, the “industry shareholder”, grants it an international dimension given the “presence in more than 50 countries and the credit limits in force in more than 144 countries.” Euler Hermes insures around 30% of international trade and follows up, in permanence, over 40 million companies in real time and around the world. COSEC shares this data base which is crucial for its activity and also for Portuguese exporting companies. In July 2018, Caixa Geral de Depósitos “entered into a protocol for the distribution of COSEC products through its banking network which is identical to the one between COSEC and BPI”, and, in March of this year COSEC entered into a new distribution protocol for the distribution of COSEC products with Millennium bcp bank.

Over the past three years, the company has increased its “customer base” by around 30%, ranging from large exporters with a diversified portfolio of external markets to small and medium-sized enterprises exporting to a small number of countries, often to one country alone,” she explains. Spain, France, Germany, the United Kingdom and Italy, Portugal’s main trading partners, are the “most relevant markets” for operations insured by COSEC.

When looking at the first 50 years, Maria Celeste Hagatong

highlights the fact that this is the “oldest company operating in Portugal in the credit insurance activity” and “the only one governed by Portuguese law operating this insurance business, under joint management by its two shareholders and, therefore, subject to the supervision of the Portuguese Supervisory Authority”, and this is the reason why “all the services offer by the Company are based in Portugal”.

Looking at the last decade, “it was a period of great challenges for COSEC” in which the company “was able to respond, increasing the volume of premiums, significantly increasing the volume of transactions covered by credit insurance and above all taking credit insurance to an larger number of companies, especially SME.” Everything was done with “low claims rate” as a result of a “rigorous and competent underwriting policy,” concludes the Chairman of Cossec.

In 2018, was obtained the highest risk exposure: 13.4 billion euros and 20 billion euros in sales covered by credit



The “LOGO” now overlooks Marquês de Pombal and the Tagus River.

The iconic logo and symbol of COSEC were part of the architecture and the skies of Avenidas Novas in Lisbon for more than 30 years.

Located in Campo Pequeno 1, or number 58 of Avenida da República, the building which was known as COSEC building, was close to Campo Pequeno Bullfighting Ring, allowing from its top enjoy a 360° view of the city.

With 15 floors above ground, with a total building area of 3658 square meters, not counting the two basement floors, the building could be seen from

insurance, accounting for 10% of GDP”, says Maria Celeste Hagatong.

The last decade was also a time for the digital transformation of the Company as a whole, creating new products in both credit insurance and bond insurance, redesigning its website and its transactional platform “COSENet”, launching mobility solutions - “COSECApp”, thereby enabling access to the Company anywhere in the world, 24 hours a day, with digital platforms already in place for brokerage partners and insurance agents in order to allow them accessing all the information related to the insurance portfolio intermediated by them. The same happens for the platforms dedicated to banking partners, launched in 2019.

Finally, a major investment of COSEC has been the permanent improvement in the quality of customer services, which is reflected namely in the ability to respond quickly to requests in the areas of risk underwriting and claims recovery.

a large distance. And even from the sky of the Portuguese capital, as it was located in the so-called “airport approach corridor” or “airport approach cone”, the most frequently used landing route on Humberto Delgado Airport, overflying Avenidas Novas, Alvalade and Campo Grande, before landing at Lisbon.

The head office was relocated in 2018, closer to the river Tagus “to a very central part of the city”; the letters were also moved and continued to lighten the skies of Lisbon being “well visible from both Avenida da Liberdade (no.249) and Marquês de Pombal Square”, says Maria Celeste Hagatong.

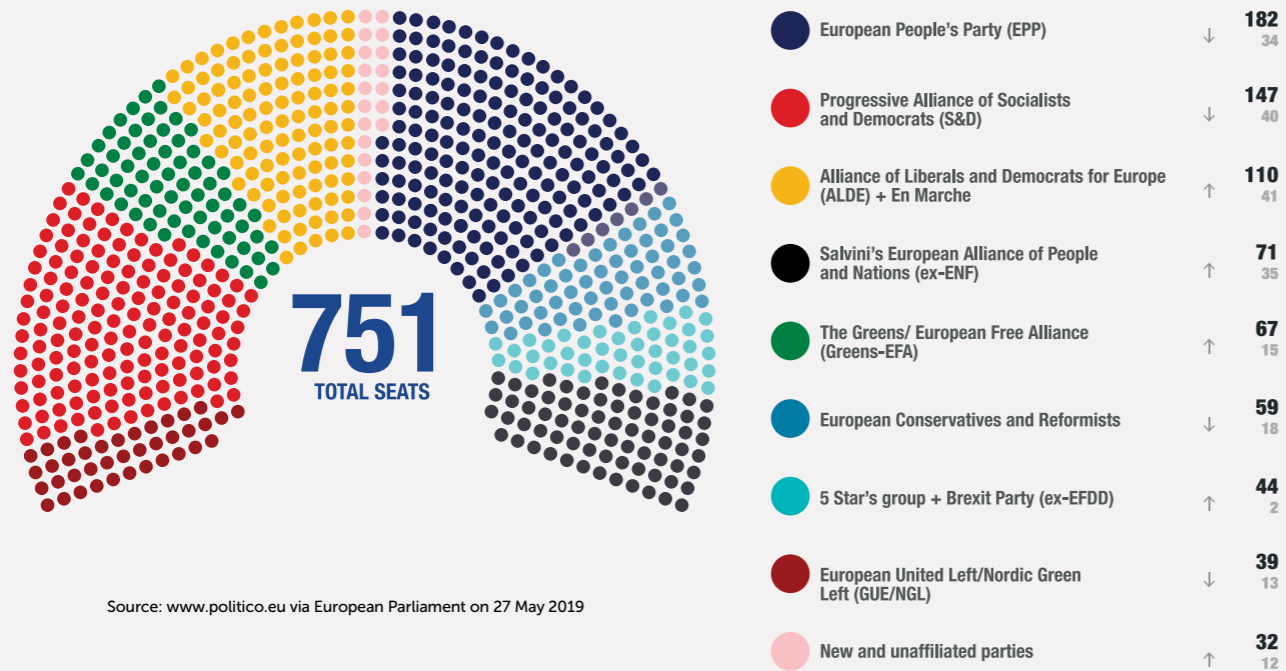
“The change of COSEC’s head office facilities was absolutely necessary to adapt its layout to the new working ways of the 21st century,” she said.

Currently relying on “110 employees” in Lisbon, where it once “had more than 200 employees”, “the physical archives ceased to exist and we developed paper less processes. Space requirements was reduced and the configuration achieved to meet these requirements is also different. Thus, the 15 floors of Campo Pequeno building, all of them with a small area, became inadequate”, she concluded.



## RESULTS OF THE EUROPEAN ELECTIONS FOR THE EUROPEAN PARLIAMENT

In the picture below, we can see the projections of seat distribution resulting from the elections to the European Parliament which took place from 23 to 26 May 2019.



### OVERVIEW OF MAIN RESULTS:

The EPP (182) and S&D (147) groups remain the largest groups in the new term, even when both lost seats in relation to the previous mandate (34 and 40 respectively). They no longer form a majority between them in the EP. The ALDE group with support by the French En Marche gained 41 seats to total 110, and will thus be a major force in coalition building in the EP.

The Greens gained 15 seats across the EU, and totals 67. It also is the fourth main pro-EU group in the new EP.

The new European alliance of people and nations led by Matteo Salvini also made large gains to reach 71 seats. Together with the former EFDD parties' 44 seats they form a sizeable anti-establishment force on the far-right.

The ECR and GUE/NGL groups have both lost seats (18 and 13 respectively).

Over the coming weeks, political groups on the European level will engage in debate over the impact of the elections on the new institutional set-up. The new European Parliament is formally constituted during the first plenary session on 2-4 July.

The European Council met on 28 May at an informal dinner to take stock of the results of the European elections and began the process of appointing the new presidents of the institutions of the European Union.



## EUROPEAN ELECTIONS, BREXIT AND THE FUTURE OF EUROPE

Insurance & Citizenship shows how this sector is worth within the global context and also conveys the proposals at European Union level from savings to solvency through insurance or cybersecurity.

The European Union (EU) voted from 23 to 26 May. The 28 Member States elected the 751 European members of parliament of this directly elected EU body with legislative, budgetary and supervisory powers.

Brexit (UK exit from the EU) and the constant delays and uncertainties about an agreement were, and are, an added concern that the insurance industry will have to deal with in the near future.

Insurance companies employ almost one million people in Europe and represent a 10 billion investment portfolio. A curious aspect in this Outlook is the fact that Europe (including also countries outside the EU) is the second largest insurance market in the world while the UK as the leading market in this region.

The steps to be taken by consumers and businesses in the EU area, in light of a UK exit and the challenges and new paths of a "new" Europe are on the agenda of this sector which in recent years has established an intensive dialogue with the EU authorities.

The proposals embrace the financial component - Solvency II Directive and Sustainable Long-term and Savings Investment (PEPP). The General Regulation on Data Protection, the Review of the Car Directive and Cybercrimes deserve also special attention.

Insurance & Citizenship opens the map of Europe in the following pages. Behind the wheel is Insurance.



## PROPOSALS FROM THE INSURANCE INDUSTRY IN EUROPE

From supervision to savings, from motor insurance to data protection through to cyber security. This is the European agenda of the insurance industry.

### SOLVENCY II

Regarding Solvency II Directive, it is important to monitor the legislative process with particular focus on the most relevant matters for the national market, such as: introduction of technical improvements in order to promote the applicability of measures specifically aimed at long-term guarantees, with particular emphasis on the adjustment of volatility and the adjustment of congruence; recalibration of capital requirements to cover market risks; reformulation of the risk margin ascertainment and definition of a cost-of-capital ratio more in line with reality; and the introduction of provisions extending the practical application of the principle of proportionality, in particular as regards supervision reports.

### SUSTAINABLE AND LONG-TERM INVESTMENT

A "Sustainable finance" has become a priority issue for European legislators in recent times. Despite these concerns, opportunities arise due to the natural proximity between the sector's business model (which tends to be of long term nature) along with concerns as regards sustainability.

Emphasis should be placed on the possibility of integrating sustainability factors into the prudential regime applicable to European insurers. This integration currently under analysis by the European Authority of Insurance and Complementary Retirement Pensions (EIOPA) could involve: introducing incentives for the ascertainment of the level of capital requirements for investments considered sustainable; possibility of reflecting sustainability aspects in the internal models of companies (whenever these companies apply them); fine tuning the ascertainment of capital requirements related to Natural Disasters; and the possibility of considering sustainability aspects when calculating the liabilities of insurers.

### PEPP - PAN EUROPEAN PENSION PRODUCT

A Regulation on the creation of an Individual Pan-European Pension Product (PEPP) was the proposal presented by the European Commission (EC) in 2017 in order to promote savings (currently at low levels) in an aging Europe and which was already approved by the Council and the European Parliament. This is an individual long-term savings product, especially aimed at retirement, of voluntary nature and which subscribers may add to their individual pension schemes but does not replace however the national public pension schemes.

For Portugal, with savings levels well below the EU average, the adoption of such mechanisms is even more important to minimise the pension gap. And it will be a unique opportunity for the Portuguese insurance industry to relaunch its offer in the field of individual savings for retirement, considering that PEPP, given its similarities with the Portuguese RSP (Retirement Savings Plan) in its original version, was duly configured to meet the core purpose of both products, e.g. effective savings for retirement.

### REVIEW OF THE MOTOR INSURANCE DIRECTIVE

The proposed review of the 2009 Directive presented by the EC in May 2018 aims at:

- / increasing the protection of victims of road traffic accidents and to ensure that policyholders are treated fairly and without discrimination, in particular by providing for that victims are fully entitled to the compensation they are entitled to in the event of insurer insolvency;
- / reinforcing the fight against uninsured motor vehicles by rendering the work of authorities easier;
- / harmonising minimum insurance coverage amounts in the event of personal injury and property damage throughout the European Union;
- / ensuring the portability of claims history by ensuring that those with a claim history in another Member State are treated in equal terms with national citizens.

However, the sector draws attention, on one hand, to the fact that the scope of the Directive, which should be limited to in-service vehicles, is not clearly defined and, on the other hand, the harmonisation of the statements of claim history at European level will entail significant compliance efforts on the part of insurers, without any clear benefit to consumers.

### GENERAL DATA PROTECTION REGULATION

For insurance activity, where data are the raw material, the impacts of the General Data Protection Regulation (GDPR) are considerable, especially given the increased concerns about protecting special categories of personal data that are critical to management.

The sector, which has an increased interest in the balanced configuration of this scheme, believes that the Regulation does not adequately address fundamental aspects for the normal management of the insurance business, especially in the processing of personal health insurance data, whose legitimacy should be more explicitly recognized, without prejudice to the indispensable information obligations and to the articulated processing of personal data for the

prevention and control of fraud, which should also be more explicitly authorized, thereby ensuring greater efficiency in the fight against this particular issue.

### CIBERRISKS AND INSURANCE

One of the European Commission's (EC) strategic priorities is the adequacy of the European single market to the digital age, with a focus on cybersecurity, one of the five major risks identified by the World Economic Forum in its latest Global Risks Report.

Although the EC has adopted policies aimed at promoting security in the European area in relation to cyberattacks, it does not take full advantage of the current and potential role of insurance aimed at covering this type of risk.

If in the countries within the Organization for Economic Co-operation and Development (OECD), cyber insurance represents less than 0,5% of total Non-Life premiums and not more than 1% of Civil Liability and Asset insurance premiums, in the USA, on the other hand, these coverages are already subscribed by 60% of the insured companies and, in other developed markets, this percentage is around 30%. In Portugal, the offer of specific coverage is scarce.

The insurance sector has a key role to play, not only in providing protection for risks, but also in supporting its clients towards preventing and mitigating their impacts, thanks to its long experience as regards protecting from disaster risks, potentially similar in terms of severity and complexity.

Hence the need to remove barriers to the development of the European cyber insurance market, barriers that include the difficulty of access information on incidents occurred and the lack of awareness of businesses and citizens about the importance of cybersecurity.

The insurance sector can make a significant contribution to improve cybersecurity in Europe and the level of protection provided by its products: prevention (assessments, alerts and safety information); assistance (investigation, legal support, notifications, call centre and crisis management); operation (operational recovery, information retrieval and operating losses); and liability (costs and damages caused to customers, suppliers or third parties).



## BREXIT AND CAR, TRAVEL AND HEALTH INSURANCE

In the event of a UK withdrawal, with or without agreement, from the European Union, here's some word of advice from APS on motor, health and travel insurance.

October 31 (Halloween) is the deadline for a decision on Brexit, the United Kingdom withdrawal from the European Union (EU).

In the European elections of 23 May British citizens elected the 73 MEPs with seats (although temporary) in the European Parliament (EP). But this may lead to uncertainty as to the establishment of the next European Commission, considering the decisive role of the EP in its investiture. If the June review, agreed between the parties, dictates an early withdrawal, the elected MEPs may not even travel to Strasbourg or Brussels.

Amidst all uncertainties, the Portuguese Association of Insurers, following the document "Brexit Consumer Checklist" drawn up by Insurance Europe, the European federation of insurers of which the Association is a part of, leaves a general warning: "customers who are not sure where their insurer is based "should contact it" in order to ensure they have a valid insurance in the event of a 'Brexit' without agreement."

### MOTOR INSURANCE

Currently, vehicles insured in a Member State of the European Union (EU) can travel in any EU member state. No agreement has been reached thus far between the EU and the UK to maintain these agreements.

**In the event of a Brexit without agreement,** vehicles insured in the UK and wishing to travel in the EU, as well as vehicles insured in any EU country wishing to travel in the UK may have to take additional coverage and have a Green Card (an international certificate proving that the vehicle has the necessary third party liability insurance).

#### Checklist:

- / Owners of vehicles insured in the UK and in the EU must confirm with their insurer whether they are covered by existing insurance policies and whether they need a Green Card.
- / If a Green Card is required, it can be requested from the respective insurer (in principle, upon payment of a small fee). This request must be made in advance before traveling so that it can be processed on time.

### HEALTH INSURANCE

Currently, EU residents travelling within the EU can request a European Health Insurance Card (EHIC) in their home country. This grants them access to the provision of healthcare in all EU states under the same conditions as any local resident. No agreement has been reached thus far between the EU and the UK to continue these agreements.

**In the event of a Brexit without agreement:** CESD cards issued by the EU will not be officially recognized by the United Kingdom and vice versa. Thus, travellers without the proper insurance coverage may have to pay the full cost of any health care provided during the trip.

#### Checklist:

- / EU residents planning to travel to the United Kingdom and UK residents planning to travel to the EU after Brexit are advised to check whether they have the necessary coverage in terms of travel or health insurance to cover any necessary healthcare during the trip.
- / Holders of travel insurance contracts should contact their insurer before traveling so that they can include the desired level of coverage.
- / Residents in the EU with private health insurance contracts that cover health care abroad will not, in principle, be affected. Residents in the EU and in the UK with private health insurance contracts should contact however their insurer in order to confirm whether or not they cover healthcare provided in other countries.

### TRAVEL INSURANCE

Existing travel insurance policies typically cover travel within certain regions such as the EU, the European Economic Area (EEA), North America or the rest of the world. In light of this, and after Brexit, it may be necessary to take additional coverage specific to each region.

**In the event of a Brexit without agreement:** the United Kingdom will no longer be part of the EU or the EEA and EU travellers with travel insurance contracts with regional coverage limited to the EU or the EEA may no longer be protected when traveling to the United Kingdom. Travelers traveling from the UK to the EU will be covered by insurance contracts as long as these include the EU or EEA regions (with the possible exception of medical expenses covered by the CESD, as described above).

#### Checklist:

- / EU travellers to the UK should, before traveling, check that their insurance contracts include coverage in the United Kingdom. Travellers should be made aware of the fact that there are some differences in travel insurance policies between member states.
- / EU and UK travellers are advised to check their contracts and to get in touch with their insurer before they travel, in order to ensure that they know what coverages they have on their insurance.

### ADDITIONAL GENERAL ADVICE ON INSURANCE POLICIES

According to EU rules, many insurance products can be purchased by residents of an EU member state from an insurer based in another EU Member State.

**In the event of a Brexit without agreement,** it is possible that the existing insurance policies will no longer be valid and there may be problems with some services, for example as regards presenting a claim. In most cases, insurers have taken the necessary steps to ensure that their policyholders remain insured and have given them information about the actions taken. Where this has not been possible, most EU Member States, including the UK, have made changes to their local laws, ensuring that existing contracts may continue to be valid. However, measures taken at national level vary and some countries haven't implemented measures yet.

#### Checklist:

- / UK residents who have signed an insurance contract with an EU insurer should not be affected, given the measures taken by the UK government in order to ensure continuity of existing policies.
- / EU residents who have signed an insurance contract with a UK insurer should check with the UK insurer if they are still covered given that not all EU member states have taken steps in this area.
- / Customers who are not sure where their insurer is based should contact the insurer to ensure they have valid insurance in the event of a Brexit without agreement.

1. [https://ec.europa.eu/info/brexit/brexit-preparedness/national-brexit-information-member-states\\_en#belgium](https://ec.europa.eu/info/brexit/brexit-preparedness/national-brexit-information-member-states_en#belgium)

2. <https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal>

## SIZE OF THE INSURANCE SECTOR IN EUROPE

The United Kingdom is worth almost 30% of the world's second largest market.

3400 European companies invest more than € 10,000 billion and employ almost 1 million employees. This is the scenario of the insurance market in Europe, representing 30% of world production. More than 1/4 of the market lives in the United Kingdom.

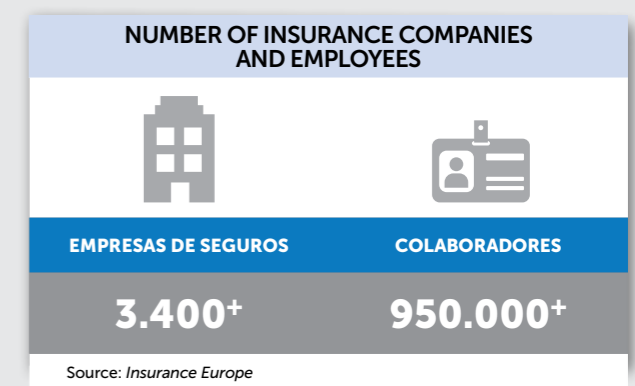
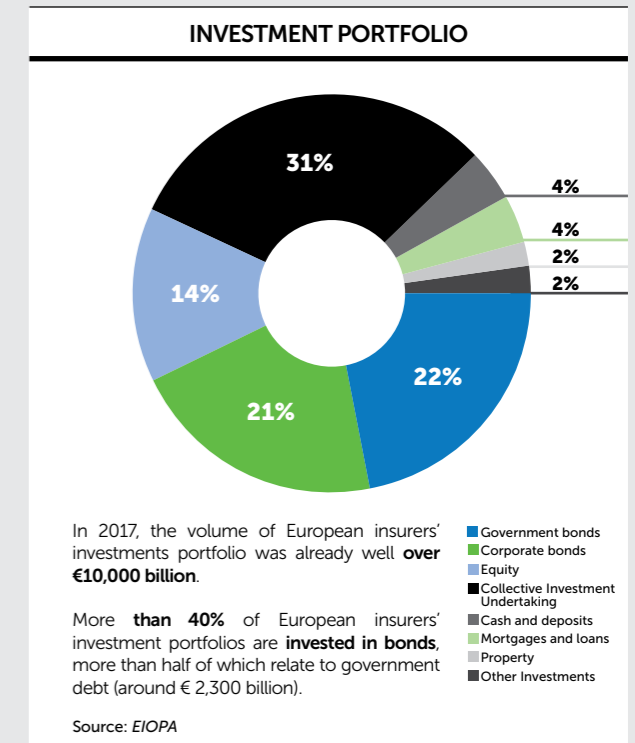
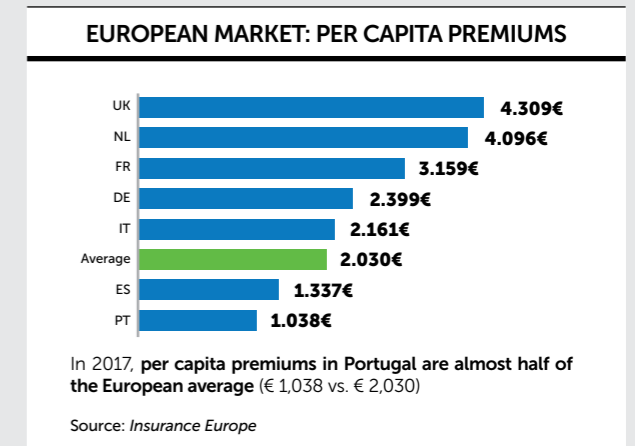
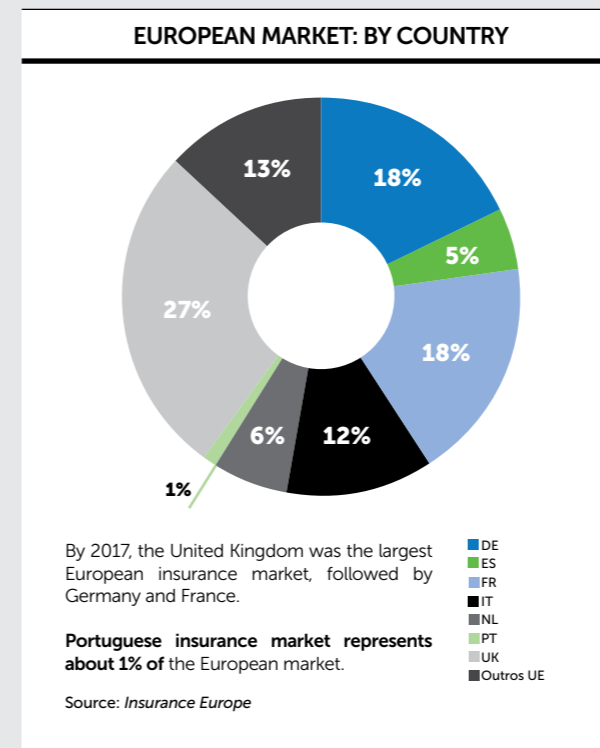
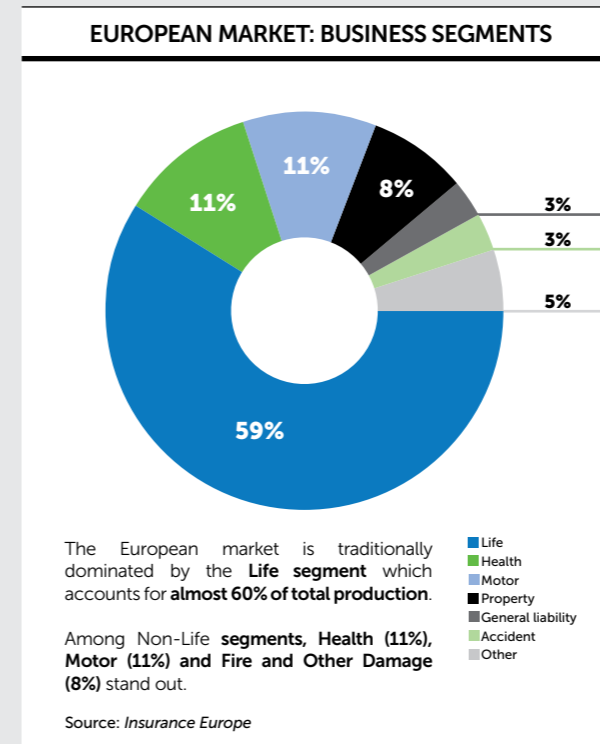
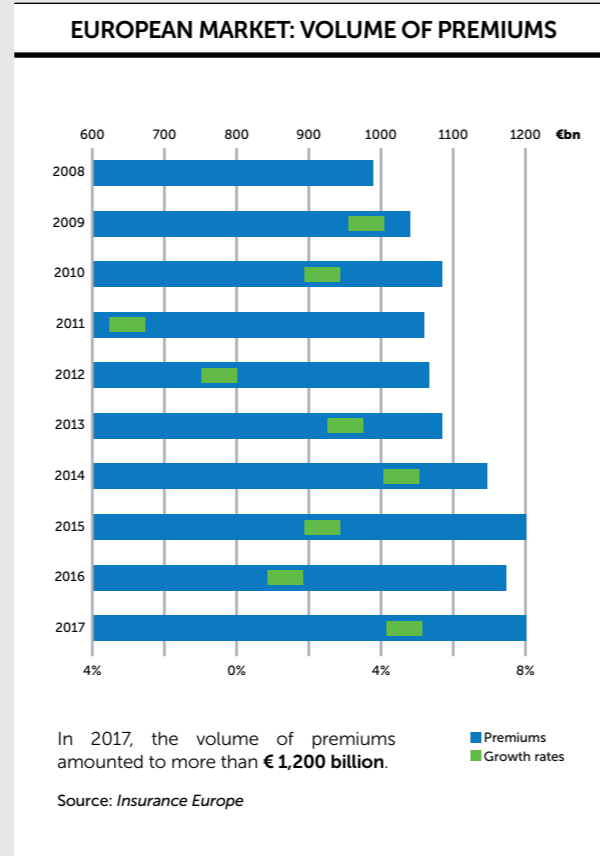
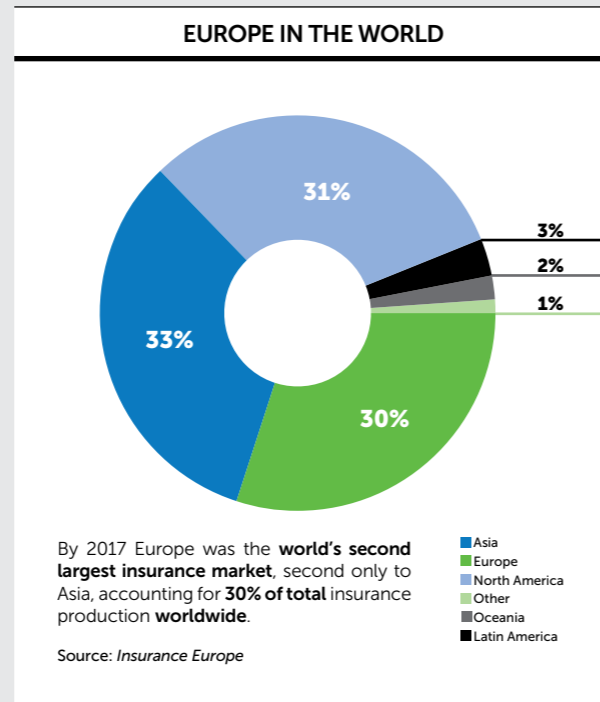
Europe employs 950,000 employees split by 3400 insurance companies, according to Insurance Europe, a 34-nation federation based in Brussels, Belgium.

Representing an investment that exceeds € 10 billion, more than 40% of the portfolio is allocated to public and private debt, the former representing almost €2,300 billion.

By 2017, Europe, together with the United States and Asia, each accounted for about 30% of the world's insurance market.

In Europe, the UK has more than a quarter of the market (27%), followed by Germany and France, with 18% each. The Portuguese market has a small share of 1%.

With a volume of premiums of more than €1,200 billion (since 2009 it stands above one billion), Life Insurance accounts for almost 60% of total production, and in Non-Life, Motor and Health, (both with 11%) and Fire insurance (8%) stand out.



## EUROPE AT A CROSSROAD

Paulo Portas and the ambassador António Monteiro discussed the future of Europe. Brexit, migrations, demography, competition and populism were the issues covered in a debate organised by APS at the Lapa hotel in Lisbon, some days before the European elections.



"The doubts as to where Europe is heading to have always been there". The statement by the ambassador and former Foreign Minister, António Monteiro, was delivered in a debate with Paulo Portas entitled "Europe at a Crossroad" organised by APS at the Lapa hotel in Lisbon.

The diplomat referred to the "Austrian case in 2000" (the year when, during the Portuguese presidency of the European Union (EU), the 14 EU Member States decided they would suspend all official political contacts with Austria if the Vienna government would integrate elements of Joerg Haider's far-right party).

For the diplomat, the EU "has been through a number of crises" and there are always times when we "discuss less Europe or more integration," he said. The greater risk of Brexit was the risk of contagion, but there is no such risk now. At present the risk of disaggregation is greater in the United Kingdom than in the continent and in continental Europe there is currently no impetus towards federalism or disaggregation.

Focusing on the issue of Brexit, the former Foreign Minister and current political commentator, Paulo Portas, recalled that "there was no massive escape of financial services from London", but rather the "relocation of some departments", further adding that "anyone who believes London's financial centre would come down is wrong." He also recalled, by the way, the English economy figures, with England growing faster than Germany or France in the first quarter of this year, countering the most pessimistic predictions that this process would drag England into a deep economic crisis.

Portas invited us to further reflect on this: "We should not launch referendums on complex issues whose answer cannot be a mere yes or no. Withdrawing from Europe cannot be decided like this", he said. Regarding the provisions of Article 50 of the Treaty of Lisbon, which provides for the first time and explicitly the possibility of any State leaving the Union voluntarily and unilaterally, António Monteiro does not believe that "the EU will be called into question".

As for Brexit, Paulo Portas said that the best solutions would be either a Norway-like model, or a Customs Union. But both raise problems: a Customs Union solves Ireland's problem and access to the single European market, but prevents the United Kingdom from signing special trade agreements with third countries. A Norway-like solution also allows the UK to have access to the 500 million EU consumers, but it will have to pay a contribution to the

European Union, accept the jurisdiction of the EU Court of Justice and accept the 4 freedoms (goods, people, capital and services). And at the origin of Brexit is the freedom of movement of people that the UK does not want to accept. In both cases they would lose influence in the Community institutions.

Regarding the European elections for the European Parliament, which he considers to be the "nearest and farthest institution of the electorate, with more than 700 Members", the political commentator drew attention to one detail. "After the financial crisis, Brexit, the migration crisis and populism... more than half and, in some countries, 2/3, of the people will not vote."

Paulo Portas announced that "the destiny of Europe happens next. They will change the four faces of the main institutions: the European Central Bank, the European Commission, which has less and less power (Germany is to blame here as the country never had a candidate for the post, although now has one), the European Council and the European Parliament.

Europe's competitiveness was also the subject of analysis. "This is a divided Europe, with no political definition, a Europe with 500 million inhabitants and responsible for 22% of world GDP," said diplomat António Monteiro.

The issue of the "acquired rights" of European citizens is "an intellectual fraud" because, in fact, they could only be guaranteed if they could be financed and, for this to be possible, two conditions have to be met: demography and productivity, said Paulo Portas.

"Either there are children, or there are migrants. It is not possible to have children and not having migrants", warned Paulo Portas, who brought to the forefront the debate on migration, recalling that in 1950 Europe had 23% of the world's population and in 2050 it will be 8%.

"The zero migration policy is a lie. Either we choose the migration we want (the countries that are best at it are Ireland and the Netherlands), with a merit system based on what we need for the economy to move ahead, or we will have the one we don't want", he concluded, referring to the fact that without migration, Europe will not be able to ensure sustainability of the so-called European social model.



## Fernanda Rollo

CHAIRMAN OF THE  
STEERING COMMITTEE  
OF EPMS

## “THE HISTORY OF INSURANCE IS BOTH PART AND A REFLEX OF OUR HISTORY”

**The Permanent Exhibition on the Memory of Insurance aims at identifying, preserving and valuing the history and heritage of insurance and relies on the involvement of a myriad of stakeholders, thereby promoting the understanding of the importance of insurance and the insurance industry in contemporary society. Fernanda Rollo leads us through 700 years of history: from the royal letters to the first insurance contract, from maritime insurance to the plates that identified buildings through to financial literacy classes. All of this can be seen at the APS headquarters in Lisbon.**

**WHAT'S THE IDEA BEHIND THIS, JOINING THIS HISTORICAL COLLECTION IN A SINGLE SPACE? TO TELL A STORY OR JUST TO LEAVE A CHRONOLOGICAL RECORD?**

The Permanent Exhibition on the Memory of Insurance (PEMI) brings together a representative set of photos, testimonies and objects from a number of collections and institutions, in particular from the Portuguese Association of Insurers (APS), from some of its Associates and from CHAPAS - Club History



and Collection of the Portuguese Insurance Activity, from APS and from insurers, thereby establishing an exhibition narrative and evoking the history of insurance activity in Portugal.

Through this particular exhibition discourse aimed at promoting a culture of both knowledge and responsibility, especially among young people, EPMS proposes a historical representation bringing us back to the thirteenth century all the way to the present, showing the manner how risk, insurance and insurance activity have always been there in all dimensions of daily life.

In fact, the history of insurance, of insurance activity and of the many stakeholders who assisted its development is closely linked and is both a part and a reflex of our history; a history that dates back more than 700 years, when the first maritime trade contracts were signed by Italian merchants to protect them from shipwreck, piracy and robbery, and when King D. Dinis in Portugal ordered the merchants to create a fund to protect the victims of ship and/or product losses. Knowing this

historical past allows us to better learn and understand the role of insurance in the society we live in, a society with increased risk appetite, especially in light of climate change and new habits and lifestyles. This requires the sector to constantly adapt its activity to the needs of citizens, businesses and the country, whereby promoting prevention through responsible and socially committed awareness is fundamental to prepare the future.

Hence the purpose of this Exhibition which is there to reflect the concerns and social commitment of the Portuguese Association of Insurers (APS) and its Associates in collaboration with CHAPAS - Club History and Collection of Portuguese Insurance Activity; an initiative that should be duly praised and valued, raising greater awareness towards this heritage in order to preserve and value both history and heritage, thereby contributing to a better understanding of the insurance activity and insurers in today's society.

It's worth highlighting that EPMS is part of a broader program - History, Memory and Heritage of Insurance and Insurance Companies in Portugal – promoted by the Portuguese Association of Insurers (APS), launching a true dynamics of promotion of the history and memory of insurance activity in Portugal and involving and encouraging its members and other partners to join in, in particular the Club History and Collection of Portuguese Insurance Activity.

Identifying, preserving and promoting history and heritage, involving a myriad of stakeholders, is essential to the promotion and understanding of the importance of insurance and the insurance sector in contemporary society. In the Portuguese case, however, the purpose is even more stimulating as it is there to help us understand not only the pioneering role and the development of the insurance industry but also the Portuguese contribution to the reflection and production of knowledge on insurance - it is worth highlighting that it was the Portuguese Pedro Santarém who signed the first treaty on insurance – as well as the longevity and wealth of many of its insurers. All this represents a huge historical heritage.

In summary, the importance and significance of EPMS, combining responsibility and social and cultural commitment is highlighted here, (i) showing and valuing the main historical and patrimonial aspects associated to the insurance activity, (ii) stressing the importance of risk



(left-right) António Mendonça Mendes, Secretário de Estado dos Assuntos Fiscais, José Galamba de Oliveira, Fernanda Rollo and Alexandra Queiroz, unveiling the plaque, during the public presentation of the EPMS

awareness, its *raison d'être*, and how insurance seeks to mitigate its effects by promoting prevention, security and protection, and (iii) and undertaking a program dedicated to the community in order to promote greater proximity and awareness, especially of the younger generation, towards issues such as financial literacy, risk, disasters and the importance of being insured.

### HOW WAS THIS SPACE DESIGNED WHERE PAST, PRESENT AND FUTURE OF THE SECTOR MEET.

The principles and purposes that inspire the program History, Memory and Heritage of Insurance and Insurance Companies in Portugal, and in particular EPMS, are based precisely on the inexorability provided by historical reading and understanding, thereby showing how past affects the present and through such knowledge we can look into the future in a more informed and conscious manner.

In the case of Portugal, this exhibition adds to the affirmation and even pioneering role the insurance

activity has taken on in the History of the Country back to the times of the first dynasty, highlighting particular and crucial moments such as the time of 'Discoveries' and the great navigations that assisted in the creation of an important cultural heritage and national identity.

After all, and few will know that and the manner how this influenced the performance and role of this industry, the history of insurance, of insurance activity, insurance companies and the many stakeholders who have built it, mixes and is simultaneously part and a reflex of our History, both in the national context but also within the broader dynamics of the international reality.

In other words, APS, the many insurers and the wide range of related expressions and configurations witnessed over the centuries in the insurance sector are, in short, both inheritors and holders of a material and immaterial past and heritage of great importance for the history of our country. Knowledge of this history, which by itself it's worth knowing and promoting, is fundamental to understand the current positioning of the sector and to envision its future.

Hence the space dedicated at EPMS to the display of a remarkable set of testimonies about this historical time, which, in the national case, are there thanks to the wealth of information gathered during this true journey and thanks to awareness as to its preservation, thus enabling the display of this legacy through objects, photographs, a number of testimonies of a unique cultural heritage and largely owned by a group of national renown insurers.

The present, focused on the preservation and the need to care for this historical heritage, puts all this into context in light of the current reality of the sector, its importance for the economic and social activity of our country and confronts us in our daily life with a number of opportunities and challenges, including the indispensability of involvement and collaborative action between the many stakeholders and the promotion in society in general and, in particular, among young people, pursuing at the same time the combined purpose of raising awareness towards the cultural and historical heritage and the interest and social responsibility of the insurance activity.

A present focused on preparing the future.

And for future reference, two fundamental notes: (i) the attention to young people and to the subject of insurance, financial literacy, within a certain context and (ii) attention to the commitment and affirmation of this activity, promoting a reflection on the role of insurance and its contribution to society and our planet.

### THE EXAMPLES OF THE ROYAL CHARTER AND THE FIRST MARITIME INSURANCE ARE A LIVING TESTIMONY OF PORTUGUESE HISTORY AND OF THIS SECTOR?

Indeed! The history of the activity, the pioneering spirit that in many cases was behind the work of the relevant entities, namely at national level, the dynamics of its stakeholders, the persistence and innovation pursued by many insurers are reflected precisely in these testimonies. EPMS shows a few of these unique specimens that deserve to be widely known and promoted.



### FINANCIAL LITERACY IS ANOTHER COMPONENT OF THE MUSEUM. WHAT IS THERE AND WHAT CAN WE LEARN FROM IT? AND WHAT IS THE CORE AUDIENCE?

EPMS is aimed at the general public and, in particular, at the school community offering the right facilities and a number of teaching materials to support and assist students during school visits.

EPMS is also a space dedicated to the community, open to the hosting of activities, focused on promoting greater proximity and awareness, especially of younger generations, to topics such as financial literacy, risk, disasters and the importance of being insured.

Furthermore, EPMS has a specific educational program, developed and assisted by specialists, involving the production of educational resources and the hosting of pedagogical activities. Services aimed at schools and other visitors, including collaborative practices focused on the exhibition but integrating it into activities and broader dynamics next to insurers and other entities.



It should also be noted that APS is committed to an ambitious financial literacy program aimed at increasing the knowledge of young people about basic insurance concepts: risk, prevention, protection and safety.

**YOU MENTIONED THE PROGRAM HISTORY, MEMORY AND HERITAGE OF INSURANCE AND INSURANCE COMPANIES IN PORTUGAL. CAN YOU INTRODUCE IT, CAN YOU EXPLAIN WHAT IT'S ALL ABOUT?**

History, Memory and Heritage of Insurance and Insurers in Portugal is a program promoted by the Portuguese Association of Insurers (APS) and Associates aimed at preserving and valuing history and heritage and to contribute to an understanding of insurance activity and the importance of insurance and insurers in current society.

It can be summarised by presenting the six axes around which the activities to be carried out are organized:

i) **Collaboration and co-responsibility** (All insured): the hosting of actions, in particular involving professionals in the sector, including collaborative dynamics, aimed at

promoting and valuing the insurance activity, the identity of the sector and the communities around it next to society in general;

ii) **Preservation** (Insured Wealth): identification and organization, preservation and promotion of the adoption of good practices, study and promotion of collections and historical heritage in general of APS and associated entities or with protocols established for that purpose;

iii) **Sharing and Exhibition** (Insurance for All): the dissemination of information collected and research carried out in open access mode and exhibition of collections and heritage in general of APS and associated entities or with protocols established for this purpose;

iv) **Research** (Better Insurance): promoting the study, research and deepening of knowledge about the history and current relevance of the insurance activity, considering the national and international context it fits in;

v) **Dissemination** (More Insured): the promotion of initiatives and the hosting of scientific and cultural activities, including the preparation of historical studies and dissemination actions with the scientific community and the general public, aimed at disseminating research and knowledge on insurance and the insurance activity;

vi) **Literacy and Social Responsibility** (All Insured): activities with the general public, especially the school community, about the insurance activity and the importance of insurance and insurers in today's society.

The development of this program shall have a collaborative dimension, not only with regard to involvement and collaboration with APS, but also with associates and other entities sharing a similar perspective on the study, research, promotion and dissemination of history and heritage of the sector and fostering the participation of insurance professionals and the population in general and the collection of testimonies about the insurance activity and its vital importance.

One of the projects resulting from this collaboration, and which is there to broaden the results of the project and to engage those who, somehow were involved in their personal and professional life with the insurance activity, focuses precisely on the collection of memories and testimonies under the name Stories, Memories and Testimonies of Insurance.



**HOW IS THIS PROJECT ORGANIZED AND HOW CAN PEOPLE JOIN IN?**

As I mentioned, this is a permanent action of collection and reproduction of memories and testimonies of people related to the history and activity of insurance.

This collection is done on an individual basis and/or for the occasion of Insurance Memory Days.

People are invited to participate by giving interviews and sharing the memories and testimonies (memories, photographs, objects, documents...) which are then recorded and digitized. The project of collection of memories is done in collaboration with the program Memory for All (link - <https://memoriaparatodos.pt/>).

The contribution of the testimonies obtained through interviews, according to the methodologies and practices of oral history, and the possibility of knowing material testimonies represents a very important contribution to the deepening of knowledge and a remarkable opportunity for the enrichment of the legacy / cultural heritage associated to the sector of insurance.

I take this opportunity to leave the appeal:

*If you have memories, photographs, documents, objects, 'plates', 'historical' policies ... if you have kept these memories, share them with us!*



*We want to know the history of insurance activity in Portugal through the voice of the professionals involved, people who, somehow, have built and have been involved in the activity of the sector and the many insurers or entities operating or relate to this industry.*

*Make history by sharing yours!*

Contacts and additional information to the following address: [hismempatseguros@gmail.com](mailto:hismempatseguros@gmail.com).



## INSURANCE IN NUMBERS

GROSS WRITTEN PREMIUMS SINCE JANUARY	Thousand Euros		Year-on-year variation		Output structure	
	2018.03	2019.03	Nominal	Real	2018.03	2019.03
 LIFE	1 927 622	2 101 110	9,0%	8,2%	60,1%	60,3%
Risk				-2,8%	8,6%	7,7%
Capitalisation Products				-18,9%	28,6%	21,5%
Retirement Savings Plans (PPR)				46,2%	22,9%	31,0%
Capital Redemption Operations						0,0%
 NON LIFE	1 281 187	1 383 079	8,0%	7,1%	39,9%	39,7%
Accidents and Health	513 412	566 145	10,3%	9,4%	16,0%	16,2%
Workers Compensation	219 201	250 072	14,1%	13,2%	6,8%	7,2%
Health	254 747	274 448	7,7%	6,9%	7,9%	7,9%
Fire and other damage in property	233 114	247 726	6,3%	5,5%	7,3%	7,1%
Households and Condominiums	127 475	134 144	5,2%	4,4%	4,0%	3,9%
Commerce and Industry	81 172	88 355	8,8%	8,0%	2,5%	2,5%
Motor	454 354	486 755	7,1%	6,3%	14,2%	14,0%
Transportation (MAT)	13 785	14 409	4,5%	3,7%	0,4%	0,4%
General Liability	36 890	38 816	5,2%	4,4%	1,1%	1,1%
Miscellaneous	29 633	29 228	-1,4%	-2,1%	0,9%	0,8%
<b>TOTAL</b>	<b>3 208 809</b>	<b>3 484 189</b>	<b>8,6%</b>	<b>7,8%</b>	<b>100,0%</b>	<b>100,0%</b>

## "RISK AND I", A DIFFERENT SCHOOL LESSON

A trainer played the role of teacher and went to the Pedro Nunes High School in Lisbon to talk about Risk. A financial literacy program developed together with JA Portugal.

"Risk and I", was presented to the economy class and was that day's summary. The buzzword was taken from a training program developed by APS in partnership with Junior Achievement Portugal (JA Portugal).

"I want to continue to be proud of this class. So please behave". The preface was written from the mouth of the resident teacher for the occasion of this particular class for students in the 10th year of Pedro Nunes Secondary School in Lisbon.

In Room 5 of that building which welcome some time ago the President of the Republic Marcelo Rebelo de Sousa, Teresa Carvalho, trainer of the Portuguese Association of Insurers, after introducing herself and her academic credentials (Law degree), professional credentials (insurance activity) and club preference ("I am from Benfica"), broke the putative ice that could be there in the relationship with students who were there to hear what she had to say and for two hours, taught a lesson on financial literacy.

"Risk. Do you know what it is?", she asked. Silence is sometimes golden, they say. And it was, in this particular case. The students, lined up in six rows of five chairs each, looked at each other but no one dared to speak up.

"Does anyone know what mutualisation is," she asked. "And risk? And how do you measure it? And damage?" she continued. Francisco dared some answers by using



examples of football and betting. The praising words of the trainer served as a reward.

The examples continued, definitions were made and questions asked to the audience who identified itself by the names written on a card placed on the table.

Divided into groups of four, the class engaged in a quiz whereby they had to guess a given number of questions about seisms, earthquakes and disasters.

As in any class there was a 10 minute break. Some students left the room, others mentioned the three (students) high competition athletes who were dismissed from class for reasons pertaining to competition engagements.

For the second half of that special lesson, the interaction between those standing and the students was constant. Different coloured cards provided the answers to the questions about (running or not) risk, providing examples from real life situations: climbing vs. beach, was one of the multiple choices presented.

A descriptive phrase by all students about a risky experience was the last chapter of the class taught by the substitute "teacher" for two hours. The bell rang and class was dismissed.

## HEALTH INSURANCE AND ACCESS CARDS OR HEALTHCARE PLANS

In light of the growing wish to receive private healthcare we witness the development of complementary financing solutions to cover such care and the insurance sector has to take this into account given its preponderant role in this challenge.

Within this context, there is a wide range of solutions on the market which can be marketed as complementary forms of financing healthcare expenditure incurred by Portuguese households, particularly health insurance and designated healthcare plans or cards.

It is worth highlighting from the start that health insurance is, as general rule, of voluntary subscription, and the same goes for voluntary healthcare plans which are also of voluntary subscription.

These two forms of health care financing embody different realities and are therefore based on different principles. However, these differences are not always perceived by the consumer. This article aims at presenting a brief explanation in order to better understand the main characteristics of each of these solutions.

**The most important distinguishing feature between health insurance and healthcare plans/cards lies in the type of protection inherent to each of these solutions.**

Healthcare cards basically offer discounts on the reference amounts charged by healthcare providers. The cost borne by the subscribers is, therefore, proportional to the financial consumption of such care and increases in proportion to these. In other words, in light of clinical situations involving increased healthcare needs, which often exceed the households' financial capacities, these cards are only there to attenuate the expenses they incur, not actually protecting them from such risk.

Insurance, on the contrary, actually ensures the coverage of this risk, which is transferred to insurers. Up to the capital limits defined in the contract (which vary

depending on the type of coverage but are particularly high in those where the risk is more relevant), the effective liability for the payment of the expenses will be borne by the insurer, except for the established covenants, but correspond, typically, to a small percentage.

Health insurance thus plays a unique role in shifting this risk from citizens to insurers, a risk that is quite real nowadays given the existence of extraordinary needs for private healthcare and costs that are not affordable for the normal household budget.

### LEGAL FRAMEWORK

Another aspect worth emphasizing is the legal framework each modality is subject to, insofar as this modality is fundamental to evaluate the marketing and management rules of these products.

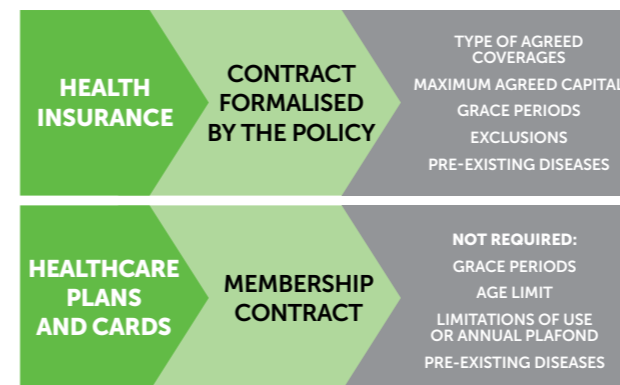
Marketing and management of the designated healthcare plans and cards is not regulated by a special legislation, it does not fit into a specific activity sector and so therefore it's not covered by sector regulation neither controlled by a defined supervisory entity (these are non-typified contracts). The opposite situation occurs regarding healthcare insurance which complies with a specific legal framework, the Legal Regime of the Insurance Contract, approved by Decree-Law no. 72/2008, of April 16, also known as Law of the Insurance Contract (LIC), and insurance activity is subject to careful supervision by the Insurance and Pension Funds Supervision Authority (ASF).

Within this context, it is worth highlighting that the subscription of health insurance depends on the signing of a contract which is formalised through an insurance policy, delivered to the policyholder (who signs the insurance contract and pays the insurance premium) with identification:

- i) of the type of contracted coverages;
- ii) of the respective contractually defined maximum capital;
- iii) of the grace periods for the coverages requiring it;
- iv) of exclusions and pre-existing non-covered diseases.

As for the healthcare plans and cards these are membership contracts, with general contractual clauses,

fairly similar to each other, and no grace period, age limit, minimum capital or franchise is normally required and there is generally no clause regarding limits of use or annual ceiling or pre-existing diseases.



### AUTHORIZED ENTITIES

Contrary to health insurance, the marketing of healthcare plans and cards can be assured by many entities acting as intermediaries vis-à-vis card beneficiaries.

As for healthcare insurance it can only be managed by insurers who have to be previously and formally authorized by the Insurance and Pension Funds Supervision Authority (ASF) and have to comply with a set of defined requirements in the legal framework of access and exercise of the insurance activity (Law no. 147/15, of September 9) that results from the transposition of community directives. These are requirements that enable them to take risks and commitments specific to insurance management and which include, for example, structured models of governance and financial guarantees of both provisioning and solvency.

Healthcare insurance distributors themselves are also subject to the specific authorization of the ASF and to the typical requirements in the performance of this activity, which tend to substantially increase the level of information provided on products and their adequacy to the profile need of consumers, in ways that are unparalleled in the marketing of healthcare cards.

### ACCESSION PROCESS

As regards the accession process, the requirements are different in each solution.

If, on one hand, health insurance has a conditioned subscription (requiring, for example, responding to a clinical questionnaire) and is only valid upon payment of the respective insurance premium, and does not take effect in the absence of payment. On the other hand, healthcare plans and cards only provide for the filling in of a form by the subscriber, whereby in such cases the conditions of access to a certain type of healthcare are established, and remain valid upon payment of a monthly fee or annuity and in the event of non-payment of one or more instalments or part of the price agreed upon within the term of the contract, the customer is assumed to be in debt and is required to settle all other outstanding fees (without prejudice to the right of termination provided for).

### ACCESS AND PAYMENTS

Regarding access and payments, it is essential to understand the form of articulation between customers and the providers in each modality.

Healthcare cards provide users free access to healthcare providers not part of a given network, requiring no prior authorization and annual caps, no grace periods and exclusions and don't work through the reimbursement of healthcare expenses, but only under a benefit scheme guaranteed by the providers involved. In this case, the cardholder is solely responsible for paying for the health care provided and there is no associated contribution from a third party entity.

The opposite happens with health insurance, especially when contracted according to the modality of access to a network of providers and the insured person only bears the pre-defined payment of "co-payments" (the amount to pay is typically a very small percentage of expenses), and the insurer is responsible for the remainder of the direct payment to the healthcare provider (and up to a maximum contractually agreed capital between the insurer and its client). In the reimbursement mode, the insured person freely chooses the provider and assumes the full payment and is subsequently partially reimbursed by the insurer. Regardless of the contracted modality, the insured person is the beneficiary of the risk coverage and assumes the rights of the contract.

1 - It may be compulsory within the context of some sectors of activity which through collective bargaining may impose on employers the signing of healthcare insurance for workers.

## WHAT IS THE INSURANCE PRODUCT INFORMATION DOCUMENT (IPID)

Although the Insurance Contract Law did require insurance companies to provide detailed information on pre-contractual information to policyholders, the new insurance distribution law reinforces this obligation. Hence, in the case of non-life insurance products (excluding those covering large risks), insurance distributors must deliver to the customer, before signing the contract, a standard information document on the insurance product drafted by the respective producer.

This **Insurance Product Information Document (IPID)** complies with a standardized structure and rules at European level, in order to facilitate the prior understanding of customers of the essential elements of these contracts, without replacing obviously any of the remaining information duties of pre-contractual basis. This document should, among other major concerns:

- (a) be brief, autonomous, accurate and not misleading;
- b) present and provide information in a clear and readable manner;
- c) be easy to understand when printed or photocopied in black and white;
- d) be written in Portuguese or in the language agreed between the parties.

Specifically, it should contain the following information, as shown below:

- a) The type of insurance;
- (b) A summary of the coverages, including the main risks covered, safe capital and, if applicable, the geographical scope, as well as a summary of the excluded risks;
- c) Means of payment of premiums and duration of payments;
- d) The main exclusions regarding which claims cannot be made;

e) The obligations of the policyholder at the beginning of the contract;

f) The obligations of the policyholder during the term of the contract;

g) The obligations of the policyholder should a claim arise;

h) The duration of the insurance contract, including its start and end dates;

i) the forms of termination of the contract.

In the context **of Life insurance products** (except, in this case, pure-risk products and products specifically aimed at retirement, such as RSP), a document with the same purpose was established by a European Union Regulation in force since January 2018, applicable to retail investment products and insurance-based investment product packages (PRIIP) for non-professional investors.

This is in particular the **Basic Information Document (DIF)**, the form and content of which also complies with standardized criteria at European level, with similar concerns for simplification, clarity and consistency with the other pre-contractual and contractual information documents associated with the product.

In this case, the information to be contained in such documents, in addition to the proper identifications and warnings, is structured in the following sections, also illustrated below:

(a) "What is this product?", given the nature and main characteristics of PRIIP;

b) "What are the risks and what can be my return?", with a brief description of the risk and remuneration profile;

c) "What happens if [the creator of PRIIP] cannot pay?", with a brief description of eventual compensation or guarantee schemes for investors should this occur;

d) "What are the costs?", with the identification of the direct and indirect costs associated with the investment;

e) "How long should I keep PRIIP? And can I make early capital movements? ", stating any periods of reflection, cancellation or minimum subscription and the possibility of early redemptions and their consequences;

f) "How can I file a complaint?" with information on how to do it in relation to the PRIIP product, producer, consultant or distributor;

(g) 'other relevant information', with a brief indication of the additional information documents to be provided in the pre- and post-contractual stage.

These two new pre-contractual information tools will certainly contribute to enhancing the transparency of products marketed by the insurance industry, to simplify the decisions of policyholders and, desirably, to further broaden consumer satisfaction levels in relation to the insurance business.

## INSURED CARDS: SHUFFLING, BREAKING, DEALING AND LEARNING

Seven school classes designed the suits of two 52-card decks. Cards that are there to teach about insurance and risk while playing.

**Shuffling, breaking, dealing and learning. Seven elementary schools in the Northern region were selected from more than 30 proposals to design a deck of didactic cards: "Insured cards".**

The project was born out of the challenge launched by the Portuguese Association of Insurers and the Dr. António Cupertino de Miranda Foundation to participating schools

in the 9th Edition of the Financial Education Program "A cent saved is a cent earned".

After selecting the qualifying seven classes, the jury decided to create two decks. One blue, the other red, each with 52 cards and 2 more joker cards each. The two decks hide a nobler purpose: messages that are worth showing and learning. No more, no less than learning about the social value of insurance as well as its importance as a means to mitigate, anticipate and offset the risks we are subject to.

"Fire insurance avoids a lot of expenses", is the message contained in the 6 of Hearts, in the blue deck. In red cards, there is a question with three possible answers on what the coverage of prostheses and orthoses in health insurance includes: a) the payment of a beauty treatment; b) the payment of mobile phones; c) the payment of glasses.

The decks of cards were selected based on the concept's overall creativity criteria, the originality of the graphics and the appropriateness of the messages contained in the cards.

On May 8, the winning schools attended a session at the FACM, in order to receive the decks of cards and witness a moment of magic.

### THE WINNING SCHOOLS:

/ Caminha: EB Lanhelas-Perafita, Class L34, teacher Isabel Ramalhosa

/ Valpaços: EB Carrazedo de Montenegro Class 3rd C, teacher Maria Helena Morais

/ Valpaços: EB of Valpaços, 3ªA, teacher Carlos Taveira

/ Oliveira de Azeméis: EB no. 1 of Santiago de Riba UI, Class 4.P, teacher Diva Gomes

/ Santo Tirso: EB São Martinho, Class 1 / 4SM, teacher Tiago Barros

/ Viana do Castelo: EB Chafé, Class 4 CH14, teacher Ligea Pereira

### Honourable Mention for having organised the decks by type of insurance:

Monção: EB Vale do Mouro, class 4th T1A, teacher Marlene Pires



## SAVING PAPER AND MONEY, ENVIRONMENTAL AND TIME GAINS. SIMPLEX IN WORKERS COMPENSATION AND MOTOR INSURANCES

Digitalisation of workers compensation and motor insurances to open the way to save administrative costs, ensure time gains, save the environmental and reduce red tape in the life of companies and citizens.

What is there in common in 15 million workers' compensation statements sent annually by companies to insurers, 22,000 cases pending at the Labour Court and 7.5 million insured cars?

These are data insurers must deal with every day. The huge amount of paper used is the link between the numbers presented.

With digitalisation opening doors to alleviating bureaucratic burdens on citizens and businesses, many steps have been taken, but there is nonetheless still room to significantly improve some areas. The APS points out

three steps embodied in SIMPLEX (the Government program to streamline administrative procedures) on Workers Compensation and Motor insurances.

In Workers Compensation Insurance, the possibility of submitting electronically both the payroll statement by the employer to the Social Security and to the respective insurer is one of the proposals, which is not unrelated to the fact that a large part of the 15 million income statements are sent still on paper, despite the existing electronic means for this purpose.

The advantages are not limited to dematerialization and reduction of the administrative and bureaucratic burden. There is more. From the start, greater speed in the identification of the insurance associated with the injured workers that are taken to hospital.

With more than 75 mil invoices referring to wound treatments resulting from occupational accidents, validated by insurers in 2018, presented by the public hospitals which have joined the platform of management of hospital debts (protocol between the Ministry of Health and APS), sending payroll sheets electronically would allow easier and faster identification of the insurer in charge of the payment to the claimants. This would result in greater effectiveness in hospital billing and the insurer could appoint the attending physician more quickly and ensure the clinical follow-up of the process, as provided by law, releasing resources from the National Health System.

Upstream of this hospital issue, the resolution in court of claims pertaining to permanent disabilities and / or death comes also into play.

In 2017, the Labour Courts received 41043 cases related to Workers Compensation and professional diseases. 22 thousand were still pending at the end of this year, and according to data from the General Attorney's office, 9 months is the average duration of the proceedings.

In order to save costs related to transportation of victims, representative from insurers, administrative and court staff time, APS argues that, based on a free agreement with the parties concerned, some permanent disability claims could be solved extra-judicially by depositing these agreements in the Workers Compensation Fund which would thus guarantee its "compliance check". This



had been already advocated in the Council of Ministers Resolution 172/2007, of November 6, paragraph m) but, true to be said, it was never implemented, and which waived “the need to file a lawsuit” in case of agreement but assuring always access to courts “in case of conflict”.



#### Goodbye to the couplet on the car's windshield

7.5 million insured vehicles and the obligation by insurers to issue and send the international insurance certificate (green card) and the couplet, according to the periods of fractionation of the respective premium, to the policyholder. This is the current reality in Portugal.

Taking steps towards digitisation with the introduction of a new paradigm in car insurance – green card and couplet – is contained in the third proposal of the sector.

This would thus allow for the elimination of paper and to enter the digital path, in whole or in part, thereby saving paper, printing ink and toners and other costs, in addition to the environmental gains resulting from such savings.

On the one hand, APS argues that the obligation of systematic issue of an international insurance certificate as a valid proof should must be replaced by granting police forces access to the date on the valid resident registration plate, either at the Portuguese Insurance and Pension Funds Supervisory Authority or at the Portuguese Association of Insurers. On the other hand, alternatively, as an interim measure, APS welcomes a legislative amendment allowing the couplet/sticker and green card to be sent to the policyholder via electronic, digital or electronic support format.

## BODILY INJURY: COMPENSATION DUE FOR ACCIDENT VICTIMS UNDER DEBATE

Compensation due for victims of accidents which result in death or bodily injury and which generate civil liability has brought together insurers, judges and academics and organizations in a debate on Bodily Injury

Reflection on the subject of bodily injury, hosted at the Belém Cultural Center at a conference with the co-organization of APS and the Faculties of Law of the Universities of Lisbon and Coimbra relied on the participation of academics and judicial institutions and insurers, the National Institute of Forensic Medicine and Forensic Sciences, Portuguese Road Prevention Authority and representatives of the Compensation Council for Fire Victims, among others.

When looking at the high numbers of road fatalities, the speakers addressed the extent and impact of this accident rate on the volume of compensation paid by insurance companies in order to ascertain whether such loss has repercussions in the levels of judicial litigation.

On the other hand, the Portuguese State has been called upon to pay compensation to victims of disasters (fires) that have recently devastated the national territory. Assessing whether the criteria which have been followed in the compensation paid in these cases are in line with those followed in the case of victims of road accidents was also widely discussed.

The different approaches taken by the judicial system and the out-of-court system when it comes to compensating victims were also discussed during the conference “Compensation for Bodily Injury”, along with the issue whether or not there is a prevalence of compensation for property damages against non-property damages. Further issues covered were the socio-economic context of those injured when ascertaining compensation for injuries; the duality of injury assessment tables in civil and labour law; and the need to harmonise and update these tables and the advantage of rendering compensation criteria more objective.



## EUROPEAN CUSTOMER SATISFACTION INDEX PORTUGUESE REINFORCE CONFIDENCE IN INSURERS

Insurers consolidate the leadership in the National Customer Satisfaction Index in the financial sector and are second in the overall ranking, only 0.02 points from the leading sector.

In 2018, insurers consolidated the leadership in the National Customer Satisfaction Index in the segment related to the financial sector.

In the national positioning, Insurance ranks second with an average satisfaction index of 7.57 points (out of a maximum of 10), only 0.02 from the general leader, Bottled Gas (Energy), according to the European Customer Satisfaction Index (ECSI - Portugal 2018), a devised to measure the quality of goods and services available in the national market and completing in 2019 20 years measuring Portuguese satisfaction.

Conducted by the Portuguese Quality Institute, the Portuguese Association for Quality and Nova Information Management School - Universidade Nova de Lisboa, this study concludes that consumers are more satisfied with insurers than, for example, with the fuel sector, banking or telecommunications.

A trusted leadership that is not unrelated to the growing investment by insurers in training, information, financial education and technology actions.

Image, Expectations, Perceived Quality, Perceived Value, Satisfaction, Resolution of Complaints, Trust and Loyalty were the indicators of the model used in this study and which relied on interviews with 250 customers from each of the 11 participating insurers, totalling 2732 interviews.

The sector reached the highest score in the Perceived Quality (8.00 points), Image (7.90 points) and Confidence (7.86 points) indexes.

#### Exclusivity, face-to-face contact or via a mediator and Car and Housing insurance. The customer profile

Almost half of the customers are exclusive to an insurer, they usually subscribe it in person (46.4%), and the insurance broker / mediator is the privileged channel of contact with the insurer for most clients in this industry (59.7%).

The findings are drawn from the ECSI study which outlines the profile of insurance customers.

They mainly opt for Car Insurance (67.1%) and MR Housing (45.2%). Life insurance is usually associated to a Mortgage Credit. In health insurance, in addition to using the agreed network, most say they pay the premium and that the family is covered. Lastly, about three-quarters of customers presented a claim to their insurer in the last year regarding car insurance in 55.2% of cases, and housing insurance in 27% of cases.

## ASF: MARGARIDA CORRÊA DE AGUIAR APPOINTED CHAIRMAN AND CALDEIRA CABRAL TO THE BOARD

Margarida Corrêa de Aguiar, consultant at Banco de Portugal, is the successor of José Almaça as Chairman of the Portuguese Insurance and Pension Funds Supervisory Authority (ASF).

Manuel Caldeira Cabral, former Minister of Economy of the current Government and currently member of parliament of the Socialist Party, will become a member of the ASF board.

Filipe Serrano, who is already in office, will remain in the Board of Director and Nazaré Barroso leaves this position, along with the Chairman whose term expired in 2017.

The former Secretary of State for Social Security during the PSD / CDS-PP Government of Durão Barroso, Bagão Felix, and president of Cidadania Social - Association for the Intervention and Reflection of Social Policies, as well as the former holder of the portfolio of Economy (he returned to parliament on October 15, 2018), take office on June 17, as stated in the Council of Ministers Resolution No. 80/2019 of May 23.



## THE DIGITAL MEMORY OF INSURANCE

Permanent Exhibition on the Memory of Insurance (EPMS) takes us on a digital journey through the history of insurance in Portugal.

In addition to the physical presence, the Permanent Memory of Insurance (EPMS) has gained eternity in the digital world.

At [www.memoriadoseguro.pt](http://www.memoriadoseguro.pt) the first door opens to the importance of life insurance summarized in a video – “Life and insurance” – with 1m30s duration.

In addition to the frames, the book “Seguros Cartoon Book”, a project by cartoonist Augusto Cid for the insurance company Império 1999-2000, gains prominence in this timeless testimony that be reached anywhere in the world.

The project aimed at preserving and valuing history and heritage and which is there to help us understand the insurance activity and the importance of insurance and insurers in today’s society takes us on a chronological journey through the history of insurance with a number of objects on display.

It also includes statistical references on the relevance of insurance in society and opens up to the dissemination and collection of testimonies and memories about insurance activity.

The didactic component is echoed in “What is Insurance” which addresses the main types of insurance.

There is also room for educational services, whereby educational resources of APS - in particular the collection of books Seguros e Cidadania - are made available in order to be used in schools, along with the international commitment of the insurance sector towards society and the planet.

Visits to EPMS must be previously booked by completing the online form on the “Visit Us” area of the website.

## COMMUNICATING OUR VALUE TO SOCIETY

2019 will be a vital year for our industry, which faces a number of challenges.

The first is institutional. The upcoming elections will change the composition of the European Parliament, perhaps drastically. Eurosceptic and anti-establishment movements have recently gained momentum across Europe, challenging the traditional centrist majorities. This could be reflected in the new Parliament and, if so, will require several parties to cooperate more strongly. This in turn could lead to compromises that are increasingly politically driven.

There will also be a new European Commission. Here again the question will be whether the new Commission will remain as politically driven as the current one, or whether it will focus on more technical issues, such as design and quality of regulation, and generally take a more moderate stand. A lot will depend on the new Commission President and the setup of the Commission College.

Traditionally, over half of the Members of the European Parliament (MEPs) change with each election. A key focus will therefore be introducing the new members of Parliament and the Commission to our industry, and the significant societal role that insurers play in Europe. It will be vital to inform EU policymakers of the huge contribution that our industry makes – and crucially – how their rules affect our ability to contribute and bring value to society and our customers.

The second challenge is to plant the seeds for further engagement on regulation in our industry.

Some new policymakers may know about the insurance policies we provide to protect European citizens and businesses. But will they recognise the value of our long-term savings and pension products? Or grasp the huge amount of long-term investments that we make and how they support the wider economy?

As such, building relationships and engaging in an effective dialogue with the new Parliament and Commission will be crucial. The impression that we make now will inform their approach to regulating our industry for the next five years and beyond. EU institutional changes also provide for an opportunity to raise awareness of what has worked in the past, and what could be improved.

Over the past few years we have noted that often there is insufficient time for the industry to implement agreed legislation. Technical details that are developed later often add an additional layer of complexity to this. In this context, we think that stronger political engagement is needed at EU and national levels instead of over-reliance on technical experts. This is the only way to ensure that the quality of legislation prevails over quantity.



**Michaella Koller**

DIRECTOR GENERAL  
INSURANCE EUROPE

We must put forward the case to correct the mistakes of the past, while ensuring that any new rules are fit for purpose and deliver real value to consumers.

The third obvious challenge is the unknown effect of the UK’s exit from the EU, what shape it will take and what this will mean for our industry and the EU as a whole. This should also become clearer in the course of the year.

2019 is therefore in many ways a fresh start: we need to make the most of it.



**Ricardo Pinheiro Alves**

DIRECTOR OF THE  
DEPARTMENT OF STUDIES  
OF THE MINISTRY  
OF ECONOMY

## SAVING IS URGENT!

The household savings rate in Portugal is dangerously low – just over 4% of disposable income – for three main reasons.

First, because **people often don't think about their future in the long run** and ignore the problems they will face when they retire. The United Nations estimates that Portugal will be the second oldest country in the world in 2060, whereby 41% of the population of 7.5 million will be over 60 years of age. As there will be less people paying contributions, those retiring at that time and who didn't save in meantime will live on 30% of their last salary, seeing themselves suddenly without money to cover health and other essential expenses.

Second, **saving is a means of financing the investment** made in the Portuguese economy. If there is no saving, investment in new projects and replacement of degraded equipment is limited, and its financing will have to come from abroad, increasing the already enormous debt burden of Portuguese economy. Portugal invests currently, in relative terms, slightly more than half of countries like Sweden or Switzerland and Portugal is therefore mortgaging its future.

Third, **everything that is not saved is consumed**, and consumption has a strong imported component considering that Portugal doesn't produce enough goods it needs and that the Portuguese often prefer goods and services produced abroad.

Increased imports and increased external financing have led to three bankruptcies in the last 40 years, with serious negative consequences in terms of unemployment, poverty and development.

From here on it becomes clear that there is an urgent need to encourage long-term savings and there are different ways of doing so.

The first is to **raise people's awareness** to the need to save by increasing their financial literacy. For example, young Portuguese people who want to guarantee income stability after retirement should save about 10% of their monthly income from the start of their careers. And the use of deposits or other short- and medium-term products are not good ways to save, given that retirement takes place in the long run and the interest rates are lower than inflation, thus leading to a real decrease in the standard of living.

The second is to **improve existing information** about savings products, making them more transparent and easily perceived to those engaged in savings and investment, reducing long-term savings underwriting costs and simplifying fees charged.

The third is to **diversify forms of access** to savings instruments by encouraging employers to further complement their employees' efforts through a defined contribution policy towards open pension funds, assisting the retention of skilled workers while maintaining the stability of pension funds and contributing to a stable working relationship that promotes productivity and safety.

The fourth is to **change the existing incentives** as regards savings without unbalancing the public accounts, either rendering taxable deductions autonomous thus allowing savings in health or education, or increasing the tax benefit limits offering higher ceilings for the young reducing withholding rates over the duration of savings.

The fifth is to **streamline the rental market** since the main savings instrument in Portugal is the purchase of housing. It is usually taken for granted that the value of the houses will never fall, but if we consider that there are 6 million houses in Portugal and that the resident population can drop from 10.5 to 7.5 million inhabitants in a generation, the lower demand may lead to a general fall in the value of houses, hence renting can become an alternative source of income for pensioners.

The urgency of saving is proven. What are you waiting for, dear reader?

The text reflects only the author's opinion



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## BREXIT MEANS BREXIT?

After three years, the UK hasn't left the EU and British were not able to come to terms as to what they want from the Continent. Signs of tiredness are evident on both sides of the Channel; in the most reasonable scenario the British will end up withholding without glory and will engage in an open and permanent negotiations with Brussels in the next years.

Many lessons could be learned from such an oblique (and incompetent) process. I emphasize three.

First: It's best to think twice before calling referendums. Not for reasons of aristocratic indifference towards direct democracy but rather for a very prosaic reason: complex questions rarely fit in a ballot paper that only considers two options (yes or no). From the vote resulted the desire to leave, but no one seems to know exactly how and where do we stand. Referendums – unlike general elections where candidates and programs assume the consequences – cannot be syndicated. The best parliamentary democracy in the West has collapsed in its relentless quest and trying to figure out what 'Brexit means Brexit' actually means.

Second lesson: it's dangerous to do the opposite of what one thinks. One of the least-cited reasons (out of shame) for the failure of the UK political class is that, beyond the confusing mediocrity of this breed of leaders, none of the leaders is acting according to what they think. Mrs. May voted to stay in the EU; Mr. Corbyn voted – probably – to leave the EU. But strangely Mrs. May heads the government in charge of materialising the UK withholding, and Mr. Corbyn leads the Party more in favour of remain. Not doing what one thinks leads to this: no longer knowing what we are doing.

Third lesson: Complex nations do not unilaterally untie. It were to a large extent the English who wanted the divorce; if it was for the Scots, the Irish and the Welsh, the United Kingdom would remain in the European Union. In negotiating with Brussels these subtleties have become glaring: for the UK to leave, Northern Ireland has to stay, or at least part of it. And if the United Kingdom wants to leave Europe, Scotland has come again up with a good argument to threaten to leave the United Kingdom: to be European. Despite Brexit the EU is not divided, but the same doesn't apply to the United Kingdom...

We quickly forgot that London was the only European power with a fairly free regime in the EU: it was not in the Euro or in Schengen and used the power of the 28 in what suited it best and the power of the old Empire in what concerned it. They owe to a large extent this statute to the strategic intelligence of Mrs Thatcher – one foot in, one foot out. They wanted everything and a pair of boots and now the United Kingdom – in order to maintain trade that is their secular religion - will probably have to accept other people's freedoms it didn't want and common jurisdictions it didn't tolerate. It's very little for the dream to live finally free and alone in the global era (but without British Empire, a detail that escaped the voters of Brexit). It's not the end of the world, but it's far from being the beginning of a new life.



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