

# Insurance & Citizenship



INSURANCE  
& CITIZENSHIP  
2018

**aps** PORTUGUESE  
ASSOCIATION  
OF INSURERS



# Editorial

## Alexandra Queiroz

Director General APS



Insurance and Citizenship is the title of the new magazine to be published as of now by APS.

With the publication of this magazine we wish to contribute for the dissemination and knowledge on the important economic and social role insurance can play in the life of people, companies and society in general.

This magazine fills a gap and is addressed to a non-specialised audience interested nonetheless in the issues of insurance. The main purpose of this magazine is to provide information and to share opinions on a number of current issues facing the insurance activity using a simple language.

Insurance, as the name suggests is, above all, an unreplaceable means or tool of protection.

Such means of protection can be triggered immediately in case of unpredictable events we are seldom prepared for but which, to a greater or lesser extent, affect our physical integrity and property whenever they occur and of which natural catastrophes are a prime example.

But it is also as a means of protection set to help us face events we know will occur, such as old-age retirement, and which can be addressed by a number of insurance products, particularly Pension Savings Schemes (PPR in Portuguese).

We selected as main themes in this edition, given its nature and relevance precisely natural catastrophes and savings.

When covering these issues we did not focus alone on the opinions of people in this sector. We listened and gathered insights from people who, although not working directly in this area, have however informed opinions we should listen and take into account, along with testimonies about successful experiences in other countries.

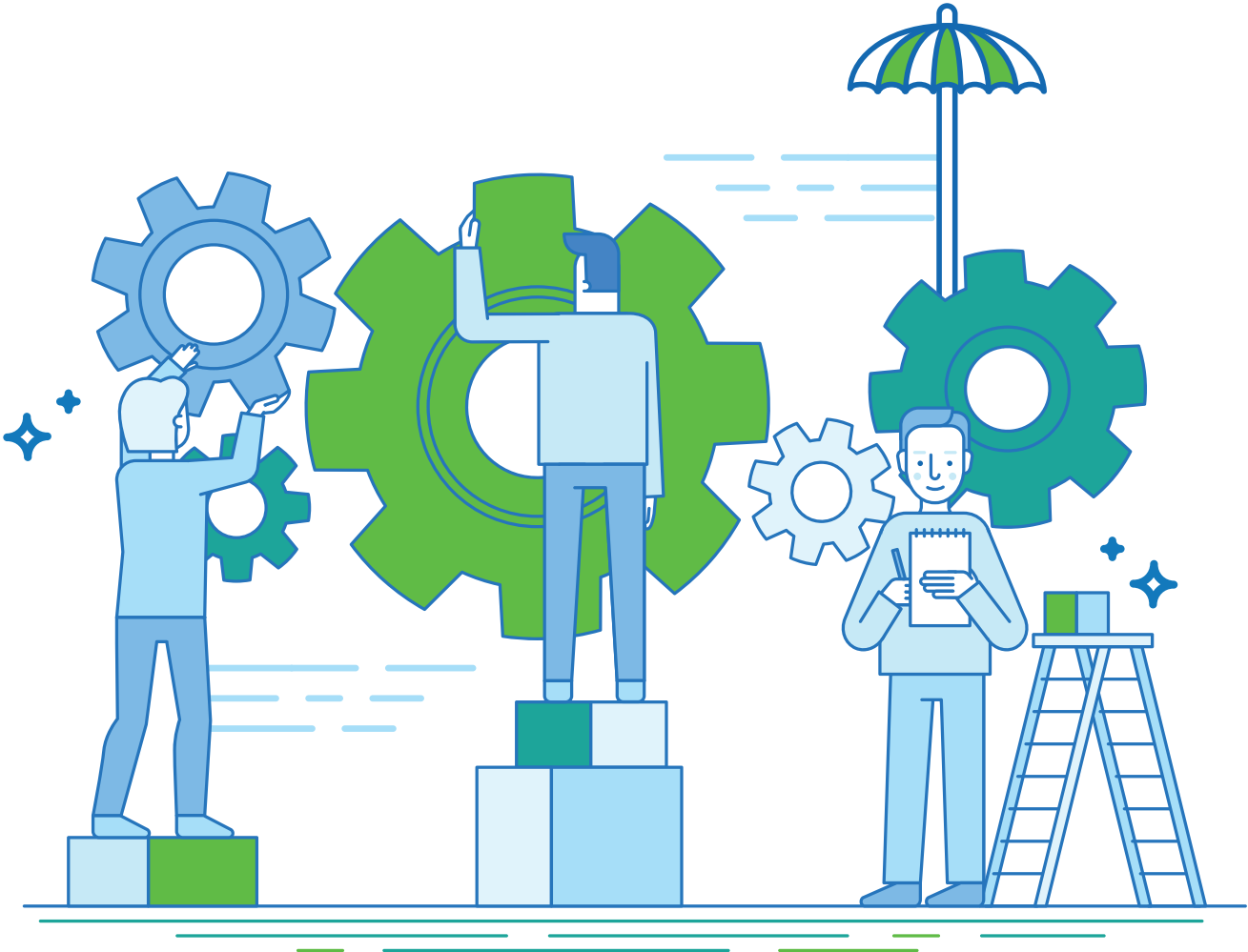
We focus also on literacy and on what is being done in this particular field or is being promoted by insurers. This particular issue will be a recurring theme in future editions.

We focus also on the trust consumers place in the insurance sector. Trust is the building block of any activity. At the end of the day the job of each insurer is essentially to commit to pay certain amount whenever an uncertain event provided for in contract occurs. In this context, it is paramount that citizens trust that their insurer will be there and ready to meet the commitments made.

This magazine will have a half-year periodicity and will be available also in digital format. In today's globalised world it will have also, at least in digital format, an English version.

We hope you enjoy reading this magazine.

# Welcome



# Contents

## PART I - Institutional

José Galamba de Oliveira, Chairman of APS  
José Alçaça, Chairman of ASF  
Ricardo Mourinho Félix, Deputy Finance Minister and Secretary of State for Finance

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## PART II - Insurance in Numbers

Insurers profits more than double in 2017  
Highlight figures  
Production in the first quarter of 2018

---

## PART III - Insurances and natural catastrophes

Response of insurers in the field in record time  
Supportive insurers after tragic events  
Biggest disasters in Portugal in the last five years

---

## PART IV - Financial Literacy

Focusing on the children  
Ana Maria Magalhães and Isabel Alçada, authors of the book collection "Insurance and Citizenship" from APS

---

## PART V - Savings

Portugal well below the Euro Zone average  
The European Commission also wants to help save  
Pilar González de Frutos, Chairman of UNESPA  
António Saraiva, President of CIP  
Fernando Alexandre, Associate Professor, School of Economics and Management, University of Minho

---

## PART VI - Notoriety of the sector

Consumers reinforce trust in the insurance sector  
Pedro Simões Coelho, Full Professor, Nova University of Lisbon  
Tiago Freire, Director of Exame magazine  
Filipe Alves, Director of Jornal Económico  
Paulo Moutinho, Editor of ECO  
Opinion: Inês Antas de Barros, Associate Coordinator, Vieira de Almeida & Associados

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Publication  
R. Rodrigo da Fonseca 41,  
1250-190 Lisboa

Design  
HappyBrands

Printing  
Zincodesign / Tuttifrutti

Legal deposit  
440692/18

May 2018



## I. Institutional

### José Galamba de Oliveira

Chairman of the Portuguese Association of Insurers (APS)

## “Despite the growth in Pension Savings Schemes (PPR), the savings rate in Portugal is still one of the lowest in Europe”

The big fires that broke in 2017 have relaunched the urgency of creating a fund to respond to big natural catastrophes. The Chairman of APS states that the sector is working already on a model covering not only seismic risk but also situations such as floods and fires.

**In 2017 the insurance sector witnessed a good performance and growth. Can you identify the major reasons that led to such growth?**

2017 was indeed a very positive year for the sector. As regards the Non-Life business we can confirm this growth that was already there in previous years as a result of the economic recovery of the country. This was the main factor that contributed for such growth. When the economy grows Non-Life insurance usually grows too. We sell more motor insurance and workmen’s compensation insurance which are mandatory.

But also more health insurances as there is more cash available; more travel insurance as we travel more; and more company insurance as a result of the increase in economic activity. In 2017 there

was a recovery in the Life insurance business after some years of negative growth. This was a year of recovery in the sale of financial products based on life insurance, particularly

**“2017 was indeed a very positive year for the sector. As regards the Non-Life business we can confirm this growth that was already there in previous years as result of the economic recovery of the country.”**

savings products. This does not mean that savings have grown in Portugal. There was rather a transfer of savings previously allocated to other products to insurance products.

### Does this mean that, despite a lower appetite to save the Portuguese have turned to PPR for savings purposes...

Yes. However, as I said before and despite the PPR growth, the savings rate in Portugal is still one of the lowest in Europe for a number of reasons. APS recently promoted a research and the launching of a book on Savings and Funding in the Portuguese Economy, conducted by a team headed by Professor Fernando Alexandre, to find out why the savings rate has been falling sharply. The conclusion is that this is closely linked with the economic difficulties experienced in the last 40 years where a number of crises eroded people's wealth. And also because in Portugal there is still a strong culture of home ownership. Hence, much of people's income is invested in purchasing own homes and traditional savings, allocated to financial products, is not as big as in other countries.

### What is your perspective regarding 2018 based on the economic indicators known thus far?

The perspective is positive. We believe that 2018 may be even slightly better than 2017. The first months of the year confirm this idea. There is a sustained growth in the sale of insurance in the Non-Life business and also in the Life branch. Looking ahead, and should these growth rates persist, we believe that this may be a good year in the insurance industry too.

### Is new legislation influencing this activity to be expected?

Yes. The year of 2018 is being impacted by three major legislative packages. The first, which is effective after January 2 this year is the so called PRIIPs package which pertains basically to the sale of retail products based on Life insurances. In May we will have new personal data protection regulations which are not specific to this sector but which will reflect in all industries. The insurance sector is greatly concerned with the issue of data privacy and hence there are rules that we have to make sure we comply with. And in the second year-half a new insurance distribution directive will be effective. This directive is important because it will set a

context of more regulation, but also of greater professionalism and requirements in the sales channel of insurance products to consumers. This legislation, despite being very demanding, will surely help the sector to consolidate and even improve its good image next to the general public, as shown by the results of the ECSI study of 2017 (Customer National Satisfaction Index).

### Last year was marked by major fires whereby the sector was able to quickly respond to the victims ...

That was one of the priorities of the sector when the major fires of Pedrógão Grande broke and after the 15 and 16 October fires. The sector did its best to quickly go to these areas with specialised and multidisciplinary teams in order to support those who lost goods and relatives. The sector did well as it was able to take to the

**“We believe that 2018 may be slightly better than 2017. The first months of the year are confirming this idea.”**

field quickly and prompted itself to work and solve problems swiftly without complicating processes and procedures. And it went on paying compensations in advance, even when the processes were not 100% closed so that people could go back to their normal lives as soon as possible.

**In light of these tragedies, it became clear that much of the population did not acknowledge the importance of protecting themselves against this kind of events taking insurance adjusted to the risks they are subject to?**

Two messages come out of this tragedy. The first is that those who were insured went back to their

**Can you share some points of that proposal?**

In Portugal only 54% of homes have fire or multi-risk insurance and of these, only 15% have seismic risk coverage. We are now studying the possibility of making seismic coverage mandatory for all who have multirisk or fire insurance already and seeing how we can extend

**“It makes sense for Portugal to have a catastrophes fund as part of a structured and duly financed solution to face events of natural origin causing major human and material losses.”**

normal lives quicker, recovering their goods, property, factories and companies than those who were not. In this respect we should also bear in mind that, in some cases, even those who were insured did not have enough capital.

This is a warning we often send to people: it is important also to have the right coverage and enough capital. The second message that came out of these situations of major disaster is that it makes sense for Portugal to have a catastrophe relief fund as part of a structured and duly funded solution to face nature events that may cause huge human and material losses. We have been working on a proposal towards the creation of a fund specially focused on seismic risk, considering that Portugal is a country where this is a serious risk and for which we need to come up with a response.

The country does not have a quick mechanism to mitigate this kind of risk. But it makes perfect sense for this fund to support also other kinds of natural risks causing huge damage and we are also studying this possibility. But we should bear in mind, however, that the seismic risk and other nature risks are different, given their frequency or the size of damages it may cause. Hence solutions will have also to be different in each particular case.

the mandatory requirement of fire and seismic risk coverage to all homes. This requirement could be implemented step-by-step. We have to do a number of studies on the impact, at the level of accountability of insurance companies, on the responsiveness of international reinsurers and cost of such coverages, trying to find also solutions for risk situations that were refused in the past. There is also the awareness that in poorer households it may be difficult to take insurance with seismic risk coverage. We have also to come up with a solution for such cases.

**What do you think the new model of the financial sector supervision will be?**

We have read the Government proposal as it was available for public consultation. There are some aspects we like, particularly the fact that we will continue to have three regulators considering that these are three different businesses. Maintaining the Portuguese Insurance and Pension Funds Supervisory Authority (ASF) in charge of supervising the insurance sector is very important. We believe also that there has to be greater coordination between the three regulators. We believe, however, that it would make sense to reinforce only the roles of the current National Council of Financial Supervisors instead of creating a new super structure, in order not to increase too much the cost structure of supervision in Portugal.



**You mentioned the fact that the level of savings in Portugal is very low. Would it be important to offer fiscal incentives again for pension-related products?**

This is a situation for which we have submitted concrete proposals to be integrated in the Government Budget. But the proposals we submitted have not been covered (yet) in the Government Budget for 2018 and we

not forget that this savings may then be allocated to investment in Portugal. We are therefore working in order to anticipate this product so that we may be better prepared, also because we have experience and a story of success with PPR. The PEPP has many of these characteristics inspired on PPRs.

**“APS believes that granting fiscal incentives for savings related products is highly relevant for the country and very important for our citizens, who need to be helped with saving for their future.”**

understand that there was no room yet to cover this in the State Budget. But APS considers that granting fiscal incentives for savings allocated exclusively to retirement is a very relevant theme for the country and very important for our citizens who need to save for their future in order to be able to have a more dignified life and with less difficulties after their working life and that is why we will insist on this proposal.

**The European model currently being developed, PEPP (Pan-European Individual Pension Plans), will be a feasible alternative to foster pension savings?**

The European model has very specific characteristics such as, for example, the issue of portability. A citizen may be working in Portugal and join a pension savings product of this kind and if, in the future, he decides to move to France or Germany he may take this product and make contributions in another country. There is the awareness that we need to work the complementary pillars of Pilar I of social security and the PEPP provides an good answer in that respect. When this product will be approved at European level, Portugal has to be able to come up with an answer. If, by that time, we have already a product with some tax incentives, we may even attract savings, both from the emigrant or immigrant community and thus increase savings in Portugal. We should

**Portugal still lags behind Europe as regards financial literacy?**

The theme of financial literacy has been always endorsed by APS. We feel there is a major lack of knowledge as to insurance, what is an insurance contract, on the advantages of taking insurance and the importance this may have to manage risk in our lives. APS has been working towards the development of content to raise the younger population’s attention to these concepts. Among the many initiatives I would like to mention the privilege of relying on the collaboration of authors Isabel Alçada and Ana Maria Magalhães who wrote adventure books on insurance so that the young may feel motivated and may acquire some knowledge in this area in a simple manner. There is also a protocol with the Ministry of Education in order to talk about insurance and risk in schools.

APS is currently studying, in partnership with the Foundation Dr. António Cupertino de Miranda in Oporto, the possibility of doing the same with the seniors, in order to draw their attention on how insurance can help their lives in old age.



## José Almaça

Chairman of the Portuguese Insurance and Pension Funds Supervisory Authority (ASF)

### **“Measures of fiscal nature are an important factor to stimulate supplemental pension savings”**

The Chairman of the Portuguese Insurance and Pension Funds Supervisory Authority (ASF) highlights the solidity and capacity of adaptation of the Portuguese insurance sector. In light of the low levels of savings in Portugal, José Almaça states that we live in a context where it is increasingly important to have pension supplements.

#### **How do you see the insurance sector in Portugal? Is it solid?**

The Portuguese insurance sector has been demonstrating its solidity, robustness and adaptability to situations of high uncertainty and change. In recent years, the profitability and solvency of insurance companies under ASF prudential supervision is growing, reflecting the improvement in the macroeconomic and financial environment.

The analysis of recent years shows that the sector, despite being affected by the particularly adverse situation in financial markets and the

national economy, has been able to withstand the impact of the crisis and, at the same time, to contribute to maintaining national financial stability by acting as a source of liquidity and financing for national banking groups and the State. During this time the sector had to deal also with a significant change of the regulatory framework, as well as to adapt to a context of changes in the shareholder structure in several

#### **“The Portuguese insurance sector has been giving proof of its solidity, robustness and capacity to adapt to highly uncertain conjunctures.”**

of the main operators. This experience allows us to look at the future of the sector with confidence, while not neglecting the vulnerabilities and the challenges we face, where I would highlight the impact of new technologies on the economy and society.

**The levels of savings in Portugal are the lowest in Europe, without forgetting that in the future retirement pensions will be very low. Life insurance products could become a viable supplement to maintain the level of income when in retirement?**

The scenario of low interest rates and the national savings levels, at historical lows, does limit the potential growth of the Life business. Despite this, some positive signs have been witnessed in the last year, namely the growth of PPR production by around 30%. This positive performance can be partly explained by the low levels of remuneration offered by other

**“The creation of PEPP is seen as a new opportunity for the growth of the European market of products of individual pensions, contributing for the development of safer complementary regimes.”**

savings products, namely deposits. On the other hand, although the fiscal attractiveness of PPRs has been reduced vis-à-vis the past, these products continue to benefit from “entry” tax advantages, subject to the limits of the total of taxable deductions and “exit” tax advantages, provided that the conditions are there. Hence, fiscal measures are an important incentive to supplement retirement savings.

Over the years, PPRs have been a strong source of revenue for retirement and, in a context where it becomes increasingly important to hold pension supplements, it is extremely important to find ways to strengthen this role.

**The new European product of retirement savings, PEPP, may act as a factor to foster this kind of insurance?**

The creation of PEPP is seen as a new opportunity to grow the European market of individual pension products, contributing for the development of safer complementary regimes in terms of costs that render mobility of workers at European level easier.

The proposal of regulation on PEPP is still in discussion stage and so therefore it is difficult to anticipate the impact this initiative may have. However we should highlight the similarities between this product and the already existing PPR in the Portuguese market.

One of the great merits of this proposal is to bring to the public debate the issue of supplementary saving and the characteristics that products to be used for that purpose should have.





## Ricardo Mourinho Félix

Deputy Minister of Finance  
and Secretary of State for Finance

### “The insurance and pension funds sector will benefit from the reform of the supervision model”

The Deputy Minister of Finance and Secretary of State for Finance assures and reinforces that the sector will maintain a specialised supervisor. Mourinho Félix has no doubts that the reorganisation of functions will render the supervision system more rational, coherent and efficient. This reform will take place during this legislative period still. This member of government admits his risk aversion and that is why he has subscribed insurance products that go beyond the strictly mandatory.

#### When can we expect new developments as regards the new supervision model of the financial sector? Can you share what reforms will be made?

The Government sees the model of financial supervision as an important reform to be implemented during this legislative period. It is an issue that has been pondered and studied carefully, without haste. The project to be presented by the Government stems from the proposal of the Working Group, coordinated by Mr. Carlos Tavares, and incorporates some ideas discussed with the supervisors. The proposal considers the changes that are necessary to improve the efficacy of financial supervision.

We are not going to change the architecture just for the sake of it. We are going to change what brings more gains for the efficiency of supervision and for the financial sector. The

insurance sector and the pension funds, in particular, will benefit from this reform.

#### And how will they benefit?

First because they maintain a specialised supervisor thereby assuring a good level of knowledge and experience in supervision of these sectors and ensuring some stability in the relation with the supervision authority. This reorganisation of roles will lead to a more rational, more coherent and more efficient supervision system, eliminating duplications, filling gaps and preventing eventual conflicts of interest. In this reform of financial supervision the Insurance and Pension Fund Supervision Authority (ASF) will have a greater participation in the implementation of resolution measures as well as in macro prudential supervision.

ASF will be in a better position to ensure stability of the insurance sector regarding risks generated in other sectors or problems generated in other entities. Finally, the creation of the Council of Supervision and Financial Stability (CSFS) will ensure a better performance regarding coordination. I would like to highlight the role CSFS will have in the regulation, something that will certainly contribute to improve the quality of legislation in the financial sector and ensure greater speed as to its design.

**Insurance companies are among the biggest institutional investors in Portugal, with a portfolio of more than 50 billion euros, most of it allocated to Portuguese government debt. Which arguments would you use to persuade these companies to continue investing in Portuguese government public debt?**

The Portuguese economy is living a very positive moment, with perspectives of robust and sustainable economic growth, based on internal demand but also on the ongoing increase of exports. The creation of stable and quality employment is of utmost importance to retain talent in the country as opposed to the exodus experienced in the period immediately before. Furthermore, the country now presents balanced and healthy accounts. The 2017 deficit was the lowest of Portuguese democracy and government debt witnessed the biggest reduction as a percentage of GDP in almost two decades. The sustainable and responsible budget consolidation is one of the pillars of the policies of the current Government and has been

component of Portuguese public debt in the asset portfolios of these institutions.

The government will pursue its prudent management of sovereign debt. Aside from the downward path of the debt burden in GDP we now have also a solid financial buffer to face any unpredictable event that will put pressure on the markets. Normalisation of the European Central Bank (ECB) monetary policy has reduced risks for the Portuguese debt.

**On a more personal note, do you take only mandatory insurance or do you care to reinforce your protection and that of your family taking optional insurance?**

As a risk averse agent throughout my life I have taken insurance products that go beyond the strictly necessary in order to cover risks I prefer not to incur. Within this context I have taken car insurance and multi-risk home insurance with coverage beyond the strictly necessary.

**“In this reform of financial supervision the Portuguese Insurance and Pension Funds Supervisory Authority (ASF) will have greater participation in the implementation of resolution measures as well as in macro prudential supervision.”**

an acknowledged success by both investors and financial rating agencies – most of which have placed sovereign debt in “investment grade” in the last months, something that will be reinforced throughout this year.

**There is therefore greater confidence?**

Confidence in the Portuguese Republic debt is increasing the appetite of different types of investors and has allowed to regain investors with long term perspectives, such as insurance companies and pension funds. Diversification of the investor base and increase in liquidity have gradually reduced the volatility of interest rates of debt issued by the Portuguese Republic, which are very appealing in developed economies. Taking into account the investment profile of the insurance sector and pension funds it makes perfect sense to consider a more expressive

At the level of life insurance and pension income supplement I have subscribed some PPRs in my life. The insurance sector and pension funds offer today, in the Life branch, products that allow you to diversify savings products portfolio, with very interesting characteristics from a medium and long term perspective and very competitive, with banking products and financial tools available in the market. I privilege mostly a diversified portfolio matching my risk profile which is relatively conservative.

**The Portuguese insurance sector has moved from a mostly national shareholding control to the control by foreigners, with the entry of new players like the Chinese and the Americans. How do you see this foreign investment in the financial sector?**

All investment is welcome in Portugal. Investors from other geographies who believe in the country and in the path that is being followed have a very positive role and have provided an important contribution to the Portuguese economy after a particularly difficult moment. The current success of Portuguese economy owes to all investment that has been made and which has allowed a set of entrepreneurs to put their talent at the service of Portuguese economy,

also essential that financial operators believe and respect the demands and the needs of their customers. A major step in this relation between clients and financial institutions is the initiative the Govern presented recently regarding the marketing of financial products. It is a draft law which transposes the Directive of Markets of Financial Instruments (DMIF II). The essential objectives of this diploma are, on the one hand, to ensure greater protection of non-professional consumers and investors. And on the other hand, to increase the transparency of services provided by the Financial Institutions. The proposal we presented imposes restrictions on the sale of some financial products, expands the amount of customer information and reinforces sanctions

**“The role of supervisors and associations of the sector is fundamental within the scope of financial literacy.”**

thereby enabling job creation and bringing back citizens' confidence in their own future. In an open and fairly integrated economy like the Portuguese more important than the passport of shareholders is to retain companies in the Portuguese market. It is fundamental that shareholders, irrespective of their nationality, make a sustainable management of their businesses in the medium and long term, both from a financial perspective and as regards the creation of qualified employment, sharing the wealth and innovation generated. All this ads to the economic development and well-being of the Portuguese.

**In recent years there has been a proliferation of legislation forcing operators in the financial sector to provide consumers a wide set of information. On the other hand, surveys regarding financial literacy in Portugal show that it is very low. Consumers of financial products have the capacity to assimilate all this information? Or wouldn't it be more efficient to bet on the reinforcement of consumer training?**

In recent years we have evolved significantly as regards mandatory information for consumers of financial products, not only in quantity but also quality. It is essential that all legislative measures are pondered, taking into account the level of financial literacy of consumers. And it is

on bad commercial practises. In order to minimise the risks of conflicts of interest new rules are also defined for the training and remuneration of workers in financial institutions and the powers of the supervision authorities are also reinforced. The Government is also completing projects of transposition of other two diplomas, the Directive of Payment Services (DSP II) and the Directive on the Distribution of Insurance (DDS). Both, like the DMIF II, aim at reinforcing the quality of information provided to customers of financial services and products.

**But there is still the need to reinforce financial literacy ...**

The new legislation does not replace the need to develop another priority: increase of financial literacy of the Portuguese. The role of supervisors and of the association of the sector is fundamental within the scope of development of financial literacy. I hence would like to take this opportunity to acknowledge and praise the work that has been done in this field by the Portuguese Insurance and Pension Funds Supervisory Authority.

## II. Insurance in numbers

### Profits of insurers more than doubled in 2017

Stable, competitive and able to respond to the responsibilities. These are the three main ingredients that have steered the activity of insurance companies, despite the crisis the country faced after 2008. The figures pertaining to 2017, disclosed by the Portuguese Insurance and Pension Funds Supervisory Authority (ASF) report a growth of 120% in net results of the 43 companies, under the supervision authority, to 350 million euros. The volume of insurance production translated in an increase of 3,2% in the Life (e.g. life and financial) and 5,6% of the Non-Life business (health, motor, workmen's compensation, among others). The production volume in Portugal was above 11.5 billion, which translates in a 6,3% increase on the amount of 2016.

ASF states that “the Life branch inverted the decreasing trend of the last two years” and points to the “weight of Pension Savings Schemes (PPR) which in 2017 represented around 33% of the production of the Life branch (26% in 2016) and its production increased 30%”. The ASF report states that, in the Non-Life segment, the type of insurance that contributed more for the increase in production was Workmen's Compensation Insurance (11,5%), Health Insurance (8,8%) and Motor Insurance (3,9%), representing around 70% of the portfolio.

### Key figures:

- The Life branch grew **5,8% in 2017**, reaching **7,06 billion euros**, contrary to the downward trend of 2016.
- In the Life branch we should highlight the growth of around 30% of Pension Savings Plans.
- The Non-Life business witnessed an increase in production of **7,1%**, to **4,49 billion euros** in tandem with a growth in all categories.
- There are **73** insurance companies established in Portugal, employing **10 575 people**.
- Insurers are at the top of institutional investors in Portugal. The volume of the investment portfolio is **51 billion euros**, around **27%** of the country's GDP. Around **70%** of this investment portfolio is allocated to government bonds and private bonds.

## Production in the first quarter of 2018

GROSS WRITTEN PREMIUMS SINCE JANUARY	Thousand Euros		Change		Structure	
	2017.03	2018.03	Nominal	Real	2017.03	2018.03
<b>LIFE</b>	1.864.617	1.927.373	3,4%	2,6%	60,9%	60,1%
Risk	269.277	274.649	2,0%	1,2%	8,8%	8,6%
Capitalisation Products	1.021.485	910.995	-10,8%	-11,5%	33,4%	28,4%
Retirement Savings Plans (PPR)	573.856	734.400	28,0%	27,0%	18,7%	22,9%
Capital Redemption Operations	0	7.330	-	-	-	0,2%
<b>NON LIFE</b>	1.197.750	1.281.182	7,0%	6,2%	39,1%	39,9%
Accidents & Health	477.371	513.575	7,6%	6,8%	15,6%	16,0%
Workers Compensation	196.772	219.197	11,0%	10,6%	6,4%	6,8%
Health	242.008	254.901	5,3%	4,5%	7,9%	7,9%
Fire and other damage in property	222.246	233.128	4,9%	4,1%	7,3%	7,3%
Households	120.968	127.489	5,4%	4,6%	4,0%	4,0%
Commerce and Industry	80.327	81.173	1,1%	0,3%	2,6%	2,5%
Motor	417.395	453.108	8,6%	7,7%	13,6%	14,1%
MAT	15.368	13.788	-10,3%	-11,0%	0,5%	0,4%
General Liability	37.031	36.891	-0,4%	-1,1%	1,2%	1,1%
Miscellaneous	28.339	30.692	8,3%	7,5%	0,9%	1,0%
<b>TOTAL</b>	<b>3.062.367</b>	<b>3.208.556</b>	<b>4,8%</b>	<b>4,0%</b>	<b>100%</b>	<b>100%</b>



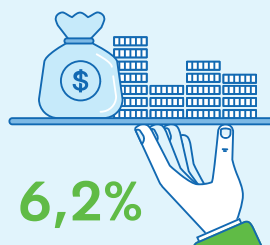
The insurance industry stands out from the remaining economic activities given the strong intervention in areas of clear social interest,

such as the protection of people and goods and management of savers savings.

**11,6  
billions**



Is the total amount of premiums received by the insurers from clients (excluding taxes) as compensation for services provided.



**6,2%**

It's the weight of the insurance activity in the economy. This weight is ascertained as the ratio between the volume of premiums of the activity and the GDP.

It's the number of insurance companies operating in Portugal with, at least, one stable outlet.



**73 insurance  
companies**

Assets under management - represent the total of investment held by insurance companies and which is mostly allocated to the government debt and to the private business sector, thereby contributing for the development of different economic and social activities.

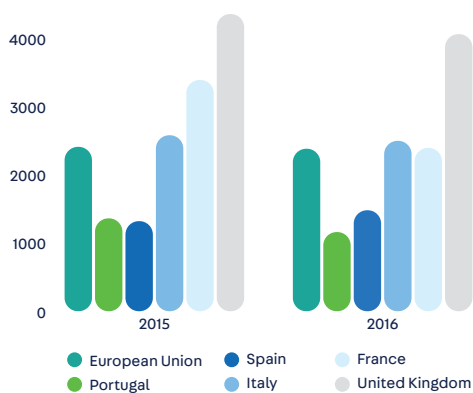
**53,1  
billion  
euros**



Despite the evolution witnessed in the last decades, Portugal still reports figures below the European average as regards premiums *per capita*. In light of this scenario there seems to be a clear margin for the development of the insurance activity in the country.

The indicator "Premiums per Capita" represents the ratio between the total volume of premiums generated by the insurance activity (either supported by privates or by companies) and the population residing at a given country.

## Premiums *per capita* in different countries of the European Union



Pension Savings Schemes (PPR) under the form of insurance which typically combine capital and income guarantees with a component of participation in results deserved the confidence of the Portuguese during the last decades.



**2 million  
insured people**

It's the number of individuals having a Pension Savings Scheme under the form of insurance.

Managed accumulated savings - The insurance sector is responsible for gathering savings from privates. This is the total amount of liabilities accumulated by the insurance sector towards these individuals in PPR products. This amount represents around two thirds of the total of liabilities of the Life branch.



**14,3  
billion  
euros**

The insurance activity plays a crucial role in financing after extreme events. An adequate management of insurance and coverages taken may speed up significantly the processes of social and economic recovery.



**3,2 million  
insured homes**

Approximate number of family homes with an insurance contract valid until the end of 2017.

**54%**

Represents the percentage of family homes with a valid fire insurance contract, at the end of 2017, compared with the total of the housing stock in Portugal (around six million households).

**0,9 million households  
with seismic risk coverage**

Approximate number of family homes with an insurance contract covering seismic risk at the end of 2017.

**15%**

Represent the percentage of family homes with insurance contract covering seismic risk, at the end of 2017, compared with the total of the housing stock in Portugal (around six million households).

Thanks to careful and efficient management of its investment portfolio and the results generated the insurance sector has the capacity to give back society every year the full amount – or even more of the premium amount received from policyholders.

**373 million euros of aggregated result**

Represents the estimated amount of the aggregate results of insurance companies operating in Portugal with, at least, a stable insurance branch for the year of 2017.

Represents the financial buffer held by insurance companies above the capital amount required by the legislation in this sector. An indicator that points to the solidity and resilience of the sector.

**177% is the solvency margin**

**3,2 billion premiums issued (in 2018)**

Until the third month of 2018 the insurance sector issued around 3,2 billion euros in premiums, which represents a variation on the same period of the previous year of 4,8%.

Until March 2018 the insurance sector paid nearly 2,5 billion euros of compensation. This amount represents a variation compared to the same period of last year of around -6,1%.

**2,5 billion costs with claims**

**39,5 billion euros in mathematical provisions**

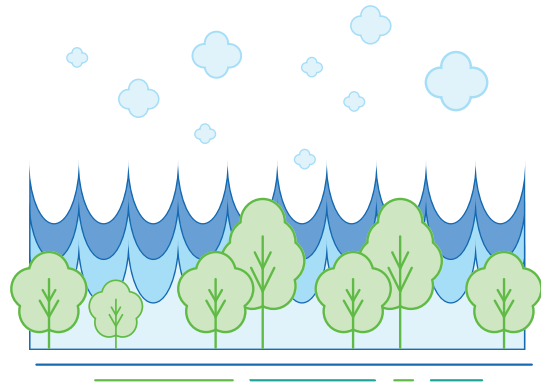
On March 2018 mathematical provisions, which represent the amount of liabilities of the Life segment were 40 billion euros, which represents a variation of around 3,2% compared with the same period last year.

For each euro the sector collected as premium of the Non-Life business around 76 cents were returned under the form of compensation. This amount does not include the costs incurred by insurance companies with their structure (salaries, suppliers, communication, among others).

**76% Non-Life claims ratio**

# III. Insurance and Natural Catastrophes

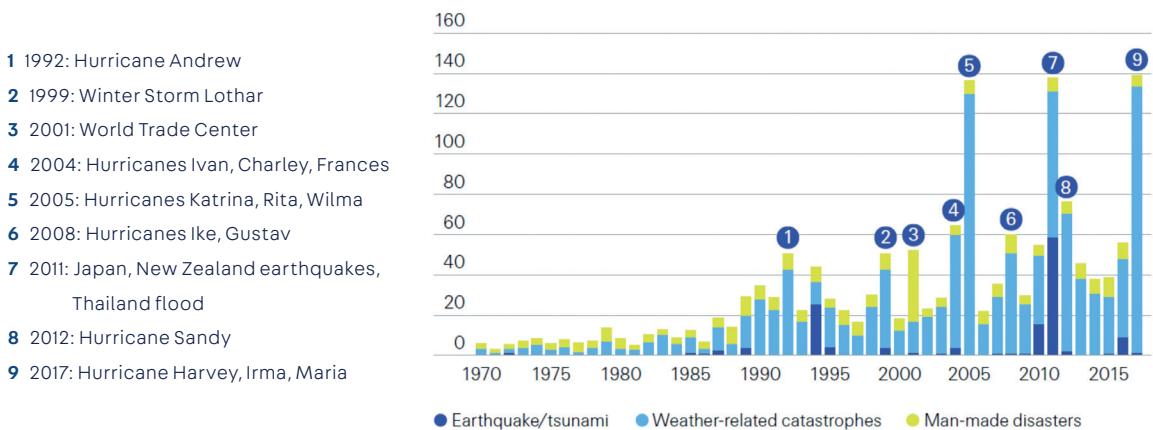
## Response from insurers in the field in record time



The year of 2017 will remain in people’s minds as one of the most tragic in terms of fires, both as regards the total of burnt area and number of fatalities. When confronted with such a catastrophic scenario, insurance companies were able to review processes in record time and to identify in the fires in the municipalities of Pedrógão Grande, Castanheira de Pera and Figueiró dos Vinhos a total of almost 500 claim processes, most of them pertaining to home insurance. The sector ascertained also a global insurance cost of around 22 million euros.

The efficient and swift intervention of the insurance sector was put to the test once again during the second wave of fires of major proportions that occurred in October in the Northern and Central regions of the country. It was the biggest of such events in the history of insurance activity in Portugal and companies received around 4400 claim processes, whereby, almost three quarters pertained to home insurance. More than 235 million euros compensation resulted from this tragedy and more than three quarters of this amount were destined to compensate the losses incurred by commerce and industry companies.

### Insured catastrophe losses 1970-2017 in USD billion, at 2017 prices



# Solidary insurers in time of tragedy

The tragic dimension of fires in June and October 2017, which caused numerous material losses and an unprecedented number of human losses, in a combined context of absolutely adverse weather conditions and several inefficiencies at the level of help and support to the victims of fires, forced insurance companies to go beyond their normal function, that of paying compensation resulting from insurance contracts in force. Hence, in an unparalleled initiative, the companies in this group decided to form, in the Portuguese Association of Insurers, a special Solidarity Fund of almost 3,5 million euros for extraordinary support to the families of victims of fires and serious wounded.

The objective of this Fund was to help these families reorganize their lives to meet immediate needs, according to their losses. The Management Commission of the Solidarity

Fund, formed by APS and many insurers, was coordinated by Full Professor Pedro Romano Martinez, of the Faculty of Law of Lisbon, who defined the terms, the limits and criteria of compensation. This Commission decided in concrete the distribution of amounts among the eligible beneficiaries, having organised 10 work meetings to analyse and decide the compensation processes. In these meetings were analysed 109 processes of deceased victims and 27 processes of serious injured and these processes were then prepared by experienced teams appointed by some of the Associated and which, in the field, got in direct contact with all the potential beneficiaries of the fund.

The Solidarity Fund was closed on March 2018, after paying compensation to 157 families of deceased and to 27 serious wounded, in the global amount of 3,409 million euros.





## Major events in Portugal in the last five years

compensation amounts

**january  
2014**

Storm in Mainland Portugal  
5 544 claims reported  
11,5 million euros

**september  
2014**

Floods in the West of Portugal  
489 claims  
1,5 million euros

**november  
2015**

Floods in the Algarve  
1 762 claims  
15,5 million euros

**august  
2016**

Fires in Madeira  
328 claims  
19,7 million euros

**june  
2017**

Fire in Pedrógão  
493 claims  
22,4 million euros

**october  
2017**

Fires in the Central region  
4 177 claims  
235,4 million euros

## IV. Financial Literacy

### Focusing on the children



To teach and to draw young people's attention to the concepts linked to insurance through pedagogic initiatives is the motto of the project of Financial Literacy promoted by the Portuguese Association of Insurers (APS). With this project, in the field since 2013, APS focuses on the informal teaching of themes related to the insurance area. In order

of charge and its mission is to disseminate the values and concepts of insurance activity.

This initiative becomes even more relevant now taking into account the results of the research "When will the Penny Drop: Money, financial literacy and risk in the digital age", promoted by Allianz Global Investors, which concludes

### **The objective has been to raise the younger generations attention to the importance of insurance as a means to anticipate, alleviate or compensate risk situations people may be subject to.**

to achieve these two major tools were adopted: a collection of books and a collection of games. The objective has been to raise the younger generations attention to the importance of insurance as a means to anticipate, alleviate or compensate risk situations people may be subject to. Hence APS makes schools and families tools available to understand the social value of insurance and its importance for individuals and groups.

that only 7% of the Portuguese have answered correctly to the five basic questions on financial literacy and risk. The same research shows that Portugal is, among European countries, the second worse in terms of financial literacy and risk after Italy. Austria, Germany and Switzerland are on the top positions of this ranking and Spain slightly above the average.

Written by the authors, teachers Isabel Alçada and Ana Maria Magalhães, the collection of books on insurance has as target audience of children between 8 and 10 years. The collection of interactive games, in turn, is targeted for children between 5 and 13 years of age. These games were developed for APS by CITI - The Interactive Technologies Research Centre of Nova University in Lisbon. This collection contains a set of digital games with access free



## Isabel Alçada and Ana Maria Magalhães

Authors of the book collection “Insurance and Citizenship”, by APS

Isabel Alçada (IA) and Ana Maria Magalhães (AMM) are the two authors of the children-youth book collection promoting the theme of risk and insurance next to the young. The authors highlight the importance of the partnership established with APS to help clarifying the concepts related to insurance and to improve Financial Literacy. A new book is already being prepared on cyber risks, a warning sign for all ages.

### How do you assess the youngsters’ knowledge as regards financial literacy?

**IA:** Our society is not yet very well trained and needs more financial information. In the financial area there is a great deal of information available, but it is often presented in an overly technical way thereby preventing the public to get it and absorb it. Information has to be transformed in order to become easier to understand by the general public so that people can use it to improve their lives. In the case of children either they have this information already, given the usual practice in their families, or it will have to be the school to convey it. In our country there is a financial training plan target specifically for the young and things are improving. But we are not yet in a position to say that the young have the desired level of financial literacy. It is essential that citizens have access to information allowing them to make decisions on what concerns them directly, so that they do not run risks and will be able to manage their resources.

**AMM:** It is a very important issue that is not yet on the public agenda. It is far from being a theme that enters the pores naturally. But there are many schools including literacy in their programs and there is also a National Financial Training Plan. But this takes time.

### Initiatives such as the National Financial Training Plan (PNFF) or those of APS are positive to increase knowledge in this area?

**IA:** APS and the Financial Literacy Program in general have made an effort in this direction and has provided good results. When we first started to work with APS, we felt that we too were obtaining useful information for our

**“It is essential that citizens have access to information allowing them to make decisions on what concerns them directly, so that they do not run risks and will be able to manage their resources.”**

Isabel Alçada

day-to-day life. We understand the true nature of insurance in a different way. We understand, for example, the social role of insurance and its importance as anticipation of situations that can afflict people and can bring serious problems to their lives, the lives of families and organizations.



The work APS is developing is extremely relevant because it is addressed to society in general, but also to schools, and it is very clear that there is no commercial intention to sell insurance. It is open and useful information. APS, being an organization that joins all the entities that work in the area of insurance, has a level of exemption that is very important.

**AMM:** It has been important, but we are still far from saying it is concluded. There is still much to do. These new notions take time to be internalized. The fact that we worked together with APS was important to gather information and to prepare ourselves also in our lives. Often adults may be aware that there is information, but it is presented in a very complex way. The success of this initiative also has to include both learning and acknowledgement of its importance by the teachers so that it will have an impact in schools.

**The National Reading Plan (PNL) has been cherished by both of you. What balance do you draw from this plan and what are the initiatives being planned?**

**IA:** Without wishing to be a judge in my own case, I believe that in order to be financially literate there has to be reading literacy. Without this intellectual powers to help us analyse reality we do not develop enough.

Financial literacy therefore requires reading literacy. If people do not read well they don't think in a way that will enable them to understand the world around them with the depth that is required from each citizen today. The PNL had a very important impact on the development of the literacy levels of the Portuguese particularly children and young people.

And now it is widening to cover also adults. The impact was great because teachers joined in spontaneously and saw that it was worth

joining a project that had simple initiatives and proposals. Each teacher can work reading and writing as he or she wishes and use the books that they find more appropriate for their students.

**AMM:** PNL was a fantastic initiative even more so because through it we can work everything. From love to books to arousing intellectual curiosity, to broadening the basic culture of children and young people. It's a bottomless pit with countless possibilities. Now it is restarting with a new dynamic and with all possibilities. And also because teachers can choose what they prefer to work with.

**What were the main changes introduced in this edition?**

**IA:** The new edition also gives emphasis to writing, in addition to beginning this kind of intervention earlier so that learning can become more effective. It promotes the taste for reading that was the initial focus of the plan, along with the reading in class of works that truly interest students. Now it aims to embrace adults also.

**AMM:** In this particular aspect and as regards adults we can define works and come up with strategies. But in the case of young people, considering that they are still in school, we can come up with lots of suggestions and teacher can then adapt them how they see fit. As for adults, it is not that easy as they are scattered. Even so, if there are good suggestions, there will be institutions that will follow them, such as groups of readers assisted by people interested in this subject. One can always do something if there is a will.

**The partnership with APS resulted already in the publication of four books on insurance. How does the creative process unfolds?**

**IA:** The Portuguese Association of Insurers is an institution that we cherish a lot because it respects creative freedom. We define together with APS a general theme and then the Association, which has a great concern for rigor, offers us a lot of information. This is what happened, for example, when we worked on the theme of catastrophes and major disasters. In order to be able to convey young people

**AMM:** After planning and writing the story, there is a proof-reading phase as there may be technical details that may not correspond to the technical reality of insurance.

We ourselves have learned a lot writing these books. It was very interesting. It is a world that is not part of our lives. We are dealing here with themes such as disasters, theft of works of art or personal accidents. It was very interesting to deepen these subjects. We try to communicate clearly so that people may become aware of the issues and the topic in a narrative. We are thus

**“We can talk already about the new book whose theme is cyber risks and which is on the agenda of all ages. It is an interesting warning for us to sound and we are happy to have the possibility to approach this issue.”**

Ana Maria Magalhães

the issues that arise we receive a lot of general information and also concrete information on events that have occurred and about insurance related professions. Then, when we have the correct information, we move to the design stage of the work, that is, we think together about the story, we create the characters, which in this case are always different. And here our creative process is already at play as it happens when we write for the collection “Uma Aventura”.

We double check everything with the Association to see if we are right, we sometimes talk to experts who work together with APS, such as medical or accident experts, who can provide feedback, as this is not our area of expertise. Finally, we build the story and convey the broad outlines to the heads of APS, we do detailed planning and write the story.

spurring the interest in history by including some information that is relevant, clear and close. The characters have to question things to get readers to understand the message.

**And what can we expect from the book being prepared?**

**IA:** We are now studying the issue of cyber risks. We are still in a very initial stage. But we are very happy that APS, with whom we have been working for some years, wants to continue this collaboration and as we respect their work a lot we are also very pleased to continue this partnership.

**AMM:** We can already talk about the next book, which pertains to the theme of cyber risks and which is in the order to the day for all ages. It is an interesting warning and we are happy to be given the possibility to cover this theme.

## V. Savings

### Portugal significantly below the Euro Zone average



Savings in Portugal are, as we know, below the desired level, and at 1999 levels. According to the latest data from the National Statistics Institute (INE), in the second quarter of 2017, the level of household savings did

years more after 67/68 years with only half of the income they received during their working life. There are products in the market designed to encourage savings for retirement. The so-called Retirement Savings Products (PPR) are, in fact,

**If we take into account that the average life expectancy of the Portuguese is increasing, this means that, if nothing is done, most of the population will live a considerable number of years more after 67/68 years with only half of the income they received during their working life.**

not exceed 5,2% of available income. It is worth highlighting that the Euro Zone average is around 12%, France exceeds 14% and Germany 17%. In Sweden it is already 20%. And if the level of savings in general is low, the same applies to savings allocated to retirement supplement. Starting to plan for retirement is something that should be done as much in advance as possible and the management of personal finances should always bear in mind the impact that the transition from working life to retirement, either voluntarily or for reasons of force majeure, will have on the level of available income of each person.

It is estimated that, by 2030, the drop in income for people moving to retirement could be around 50%. If we take into account that the average life expectancy of the Portuguese is increasing, this means that, if nothing is done, most of the population will live a considerable number of

preferred by the Portuguese when it comes to saving for retirement.

In 1989 Minister of Finance Miguel Cadilhe launched the concept of Retirement Savings Plans (PPR) to encourage long-term savings to supplement social security systems. But the reduction of income tax incentives and the flexibilisation of the buy-back regime has been pushing back retirement savings plans as a prime product to finance the supplement of public pension.

## European Commission wants to help saving too



Savings low levels is not a specific problem of Portugal and so therefore the issue of pension savings deserved the attention of the European Union. After the preparation work, headed by the European insurance regulator, the European Commission (EC) launched in June 2017 a legislative proposal for the creation of a new European product for retirement pensions. The idea is to help citizens save for retirement, taking into account the current demographic social and economic scenario of the Portuguese population.

### The European Commission (EC) launched in June 2017 a legislative proposal for the creation of a new European product for retirement pensions.

- When this legislation is approved insurance companies may then offer Pan-European Individual Pension Products (PEPP), an optional product which should be simple and competitive, offering clients a wider range of choices as regards savings for old age.

- PEPP will have the same basic characteristics in the whole European Union and may be offered by a wide range of operators, including insurance companies.
- In order to foster PEPP, the European Commission recommends that the Member States grant this new product a privileged fiscal treatment, at least similar to what is currently applied to existing products.
- Currently only 27% of Europeans between 25 and 59 years of age have an individual pension plan. The PEPP may thus contribute to stimulate the subscription of these products and stimulate also investment in the economy.



## Pilar González de Frutos

Chairman of UNESPA - Spanish Association of Insurers and Reinsurers

# “Insurance is the natural option to accumulate supplemental retirement savings”

### How do you see the insurance sector in Spain? Is it solid?

As to the daily life of insurance there are many processes that we must follow closely. At the political and social level, we must highlight the debate on the future of pensions in Spain. The reforms to be introduced should integrate the capitalization pillar. That is, the contributions that must come rise from individual or collective savings, within the general system, in a coordinated and planned manner.

On the other hand, there is the digitalization of the business. Information technologies will have a clear impact on the manner how it is designed, sold and how insurance responds to the needs of people. In the regulatory field it is worth highlighting the implementation of the regulations known as PRIIP, as well as the future developments on the implementation of the Insurance Distribution Directive (IDD). It is also worth mentioning the amendment in 2018 of Solvency II, as well as the long-term guarantee package planned for 2020.

### Are consumers in Spain betting already on insurance when they think about retirement?

Insurance is the natural option to accumulate supplemental savings for retirement. Insurers operated 226,500 million euros on behalf of their clients at the end of 2017. Of these, 183,600 million euros correspond to insurance and the remaining 42,900 euros to pension plans from insurers.

Although these figures are important, the fact is that in Spain the complementary social security did not reach the desired level of development as in other countries in Europe. 80% of the income of the average Spanish pensioner comes from public pension.

### Which measures could revert this scenario?

For this reason at UNESPA we defend that we should act in two fields. As regards the area of corporate social security we support the need to develop a system of automatic adscription in all sectors and in all companies in the country. Currently, only large multinationals offer their workers these collective savings instruments. In addition, the average savings accumulated in these instruments hardly allows the

**“In Spain the supplemental social payments has not reached the same level of development as in other countries in Europe.”**

disbursement of a monthly additional income of 184 euros. An amount obviously insufficient to be considered a real supplement to public pensions.

The system we propose is similar to that in other countries around us (e.g. the United Kingdom) and would allow making complementary social security universal in Spain. We should not forget, at this point, the role of conditioned subvention schemes, in which the worker’s effort at the time of saving means that a third party, whether it is their employer or the State, increases these savings.

Meanwhile, in the field of individual savings we estimate that people’s individual savings should be facilitated through fiscal measures. Specifically, the profitability generated by pension plans and PPA should be taxed as savings annuity (fixed rate) when collecting the benefit, and not as annuity from work (which is taxed at the marginal of the IRPF) and from awareness (i.e. of annuities, since they constitute the private solution closest to the public pension).

### Could you specify whether there are fiscal incentives to subscribe such products?

Many insurance products have tax incentives when people make contributions. In the area of insurance for individuals, the PPAs stand out along with the transformation of wealth into annuities, the PIAS and the SIALP. The contributions to insured pension plans (PPA) allow deduction, as well as pension plans and funds, up to a maximum of 8,000 euros on the tax base. However, when bought back they are taxed at the marginal level of the IRPF (both the contribution and the returns on capital). Therefore, in this case it is more appropriate to speak of tax deferral.

Another product to be highlighted is the transformation of wealth in annuities: people over 65 years of age who use the money obtained from the sale of any asset (second home, shares, investment funds, etc.) to apply on an insured

**“Tax incentives should be created to favour the collection of accumulated savings in the form of annuity versus the collection in the form of capital.”**

life rent have, as a tax benefit, the exemption of the capital gains obtained with the sale, with reinvestment limit of 240,000 euros. The time frame to contract the life annuity and benefit from these advantages is six months from the sale of the asset.

### And at individual level?

On the other hand, there is the systematic individual savings plan (PIAS). This is a product that grants tax advantages on exit: the profitability is exempt if certain requirements have been met during the saving phase. Basically, having a duration of not less than five years and receiving it in the form of annuity. Its annual contribution limit is 8,000 euros, a limit that is compatible with that of individual long-term savings insurance (SIALP). In the SIALP, in turn, profitability is exempt after five years, although it is not necessary to receive it in the form of annuity. Each taxpayer can only hold a savings plan and the annual contribution limit is 5,000 euros.

### But there is still work to do as regards supplemental products?

This is the current scenario of fiscal incentives for the products of supplemental social security. As you can see, most advantages apply on contributions. But there is work to do as regards the means of buy-back of these savings when the moment of retirement comes. From our perspective tax incentives should be created to favour the collection of accumulated savings in the form of annuity versus the collection in the form of capital. We would thus ensure that complementary social security products are employed as what they really should be: end products that allow the creation of supplemental and periodic source of income when retirement comes.





## António Saraiva

President of the Confederation of Portuguese Business (CIP)

### “We need a more savings-friendly taxation”

In light of the erosion of social security funds, the President of CIP – Confederation of Portuguese Business, António Saraiva states that citizens should be given more freedom and accountability to protect themselves from social risks. António Saraiva adds that, therefore, we would have a wider playing field for the systems of supplemental protection.

#### **The savings levels in Portugal remain low. Which measures could foster savings through the taking of insurance?**

We need more savings-friendly taxation. The framework of income tax benefits to stimulate savings, for example at the level of Pension Savings Plans has suffered over time a great erosion. With the adjustment program it was reduced to the minimum. It is true that there has already been an improvement, but they are still insufficient. In that respect I would welcome the fact if the scope of the general deduction limit would be reassessed.

#### **In light of the unsustainability of social security, insurance products are a viable supplement to ensure a good the retirement income?**

The law recognizes that supplemental schemes of collective initiative or individual initiative that make up the Complementary Social Security System are “significant instruments of social protection, materialised in the sharing of social responsibilities, and their development should be stimulated by the State through incentives deemed the most adequate”.

#### **“Only a small fraction of the population is covered by these regimes of individual or collective initiative which still contribute very little for the income of retired citizens.”**

However, only a very small fraction of the population is covered by these collective or individual schemes, which still contributes very little to the income of retired citizens.



### Citizens should be given more freedom of choice?

I have argued in this respect that citizens should be given more freedom and responsibility to protect themselves against social risks. This would open up a broader scope for supplemental protection systems, which can play an important role in the security of citizens,

### Companies operating in Portugal are already adopting products that grant another type of income to workers in retirement age or in situations of disease?

Many companies already grant their employees a benefit package in addition to wage compensation, including health insurance. Regarding pension plans or other products that

**“I recognize that is necessary to develop even further a corporate culture that values an integrated wage approach. It is certain that a more favourable fiscal framework would be very helpful.”**

and contribute actively to the economic growth of the country, through increased savings and investment. The complementary system is there and includes several schemes. But it lacks stimulus to develop it.

supplement income in retirement or disability situations, their adoption is more limited, even among large companies, but is increasingly frequent (see, for example, the study “Total Compensation Portugal 2017” by Mercer).

I recognize that is necessary to develop even further a corporate culture that values an integrated wage approach. It is true that a more favourable tax framework would help a lot.





## Fernando Alexandre

Associate Professor, School of Economics and Management, University of Minho

# “Insurance companies products are a reliable option to apply household savings”

Fernando Alexandre, college professor and author of the book *Poupança e Financiamento da Economia Portuguesa*, defends that, in light of future problems in Social Security, there should be more fiscal incentives to induce savings.

### The Portuguese still have a weak appetite for long term saving. What’s the impact of this trend in economy in the near future?

Savings of Portuguese households are among the lowest in OECD. In a context of increasing average life expectancy and accelerating ageing of the population – according to INE projections, by 2016, almost 40% of the population will be over 65 years of age – the increase in household savings is, first and foremost, a necessary condition to avoid a sharp fall in the standard of living after the end of working life. On the other hand, with the high indebtedness of households, businesses and the State, it is crucial to increase the savings of the economy in order to strengthen the conditions of investment financing, thus creating the conditions for a more robust economic growth.

### In light of the problems of sustainability of Social Security in the medium and long term and in light of the ageing of the population what measures should be adopted to foster the levels of savings in Portugal?

Firstly, there should be more information on future pensions so that households could do a better planning. This information, coupled with fiscal incentives, may induce a change in savings behaviour in households that are less aware of the risks of future income reductions. At a more macroeconomic level, there is an urgent need

### “Increase in household savings is, first and foremost, a necessary condition to avoid a sharp drop in the living standards after the end of working life.”

to reduce the high tax burden on households, which reduces their disposable income and their savings capacity.

**Taking insurance as complement to Social Security could be a viable solution to ensure a decent income during retirement or in situations of dependency?**

Insurers aim at long-term investments. On the other hand, insurers have shown great stability and resilience during the economic and financial

household savings in order to guarantee a greater stability of their income when moving from working life to a retirement situation.

Insurers should therefore bring their savings products to a larger fraction of the population, as these are still very concentrated in the

**“Insurers have shown great stability and resilience during the economic and financial crisis.”**

crisis. These factors make the products of insurers a reliable option for the application of

population with higher levels of income and education.



## VI. Notoriety of the sector

### Consumers reinforce trust in the insurance sector

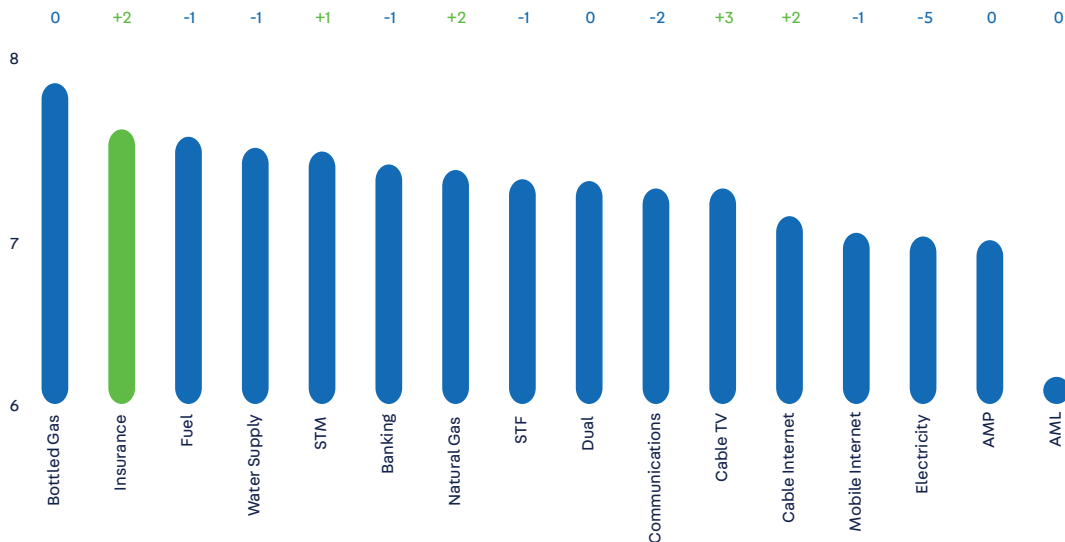


The insurance sector once again took the lead in the ECSI Portugal study - the National Customer Satisfaction Index, being the financial activity which consumers trust the most. According to ECSI 2017, the sector rose by two places and takes second place in the global ranking with 7.61 points (from 1 to 10), only outweighed by the bottled gas sector with 7.86 points. It should also be noted that more than 85% of the respondents assumed to be satisfied or very satisfied with the performance of the insurance sector.

(8.07 points), confidence (7.91 points) and image (7.89 points). ECSI Portugal - National Customer Satisfaction Index is a system for measuring the quality of goods and services available in the domestic market, through customer satisfaction. Sixteen sectors and subsectors of economic activity were studied, in which private clients with minimum consumption of three or six months and with ages greater than 15 or 18 years participated. In total, 16 322 interviews were conducted for the ECSI 2017 sectors.

The sector presents its highest average valuations in perceived quality indexes

### National client satisfaction ranking of insurance in 2017





## Pedro Simões Coelho

Full Professor, Nova University of Lisbon

### “It is expected that the leadership of the insurance sector remains ”

**N**otoriety of the insurance sector continues on the rise according to the Customer National Satisfaction Index. Full Professor Pedro Simões Coelho, from Nova University of Lisbon, who coordinated the study states that insurance companies stand out given the lower number of complaints and for their good value for money.

**In the financial sector, insurance took the lead in the National Customer Satisfaction index. What has led to this?**

When we compare the results of the insurance sector with those obtained by the banking sector we can see that the former stands out strongly in the aspects related to both price and value offered to the customer. The insurance sector is also marked by a lower level of complaints and has a stable image when compared to the financial sector as a whole. The stability of insurers in the market and confidence in contrast to the unstable situation in the banking sector in recent years has partly contributed to the insurance leadership in the financial sector. It

should be noted that since 2008, the year of the international financial crisis, and until the most recent edition of the ECSI Portugal project in 2017, the satisfaction insurance companies' customers has been higher than that of customers in the banking sector.

**“Since 2008, the year of the international financial crisis, and until the most recent edition of the project ECSI Portugal in 2017, satisfaction of insurance companies' customers has been greater than that of banking sector customers.”**

**Among the conclusions of the study what are the more positive points?**

The insurance sector stands out positively in relation to the majority of the sectors studied in those aspects related to price and value for money. Other positive highlights are the stability of insurers in the market, customer service and advice, the clarity and transparency of the information provided, the availability and quality of insurance outlets, as well as aspects related to trust in insurers and customer care. I cannot but emphasize that these results point to the existence of a discrete but constant revolution, which in the last decade has dramatically changed the perception of customers and society as regards this sector.

**And what are the points to improve?**

I would highlight on the negative side aspects related to innovation, as well as those associated with the resolution of complaints. If we take into account both the performance and the importance of the variables that determine customer satisfaction, the main points to be improved are related to the customers image of the insurer, specifically with regard to the insurers' concern with customers, the positive contribution to society and the innovative characteristics of insurers in terms of products and services. And in order to increase customer satisfaction in the insurance sector quality aspects should also be taken into account, particularly with regard to the diversity and reliability of products and services offered and resolution of claims or with the expectation that the clients have on the resolution of a possible claim, taking into account their experience while customers.

**In light of the performance of companies in the market do you think this sector will maintain this leadership?**

Looking at the trend in recent years, it will be expected the insurance sector maintains the leading position in the financial sector. This industry has to take into account the fact that customers are becoming more demanding and that their expectations adapt quickly to the positive developments experienced in recent years. In any case, it should be noted that in the last decade the insurance sector ranked in the top 5 of all sectors studied in the National Customer Satisfaction Index, and was the 2nd highest position in the customer satisfaction index 2017, right behind the bottled gas sector.

**“Looking at the trend in recent years, it will be expected the insurance sector maintains the leading position in the financial sector.”**



## Tiago Freire

Director of **EXAME** magazine

### 1. The ECSI Portugal study – The National Index of Customer Satisfaction concludes that insurance is the second area of activity the Portuguese trust more. Were you surprised with this conclusion or the data on this sector prove this idea?

The conclusion is surprising only because insurance, such as lawyers and journalists and many others are normally easy targets for the *vox populi*, as this is a sector people trust more when they have problems, thereby potentiating an eventual negative perception. I believe that the insurance sector has been for some time aware of the fact that the public is now more informed and demanding and does not wish to become dependent from the famous “small letters” in contracts.

### 2. What is your perception of the insurance sector in terms of performance and sustainability when compared to other areas within the financial market?

The sector is solid, both structurally and as a whole. And the fact that new investors with more capital appeared helped solving eventual problems such as those experienced in banking where changes in shareholder structures, which happen also in insurance, render things more difficult and slow. The specific supervision of the sector helped also avoiding greater evils as it became easier to identify problems and act swiftly to solve them and prevent them from spreading. The great challenge of the sector pertains to the profitability of investments within a context of very low interest rates, taking into account that it is often necessary to deliver guaranteed profitability to its clients.

## “The great challenge of the sector pertains to the profitability of investments within a context of very low interest rates”

Nonetheless, interest rates will increase soon, which means that as regards the issue of searching profitability at low risk the worst is probably already over.

### 3. Which positive aspects stand out in the performance of the players in this sector?

I would highlight two. On the one hand, technological modernisation which has rendered companies more efficient and more present in the life of customers, with other contact channels. On the other, the greater awareness towards a social and commercially more responsible philosophy, avoiding sacrificing the reputation on behalf of short term financial gains.

### 4. Which aspects do you consider less positive that could be improved?

We continue to have some companies with less positive practises. That is, which, despite abiding by the law (naturally) they feel sometimes tempted to use everything within their power not to promptly assume their responsibilities with customers. This phenomenon is now more residual and, in fact, is a differentiation tool for insurance companies wishing to provide a better service. Price continues to be an important factor, but I believe that the quality of service will continue to be more important in customers decisions.



## Filipe Alves

Director of newspaper  
*Jornal Económico*

# “The prudent management of assets has contributed to maintain the consumers’ confidence”

### 1. The ECSI Portugal study– The National Index of Customer Satisfaction concludes that insurance is the second area of activity the Portuguese trust more. Were you surprised with this conclusion or the data on the sector prove this idea?

This conclusion is not surprising. The sector has been able to maintain the confidence of consumers, with a prudent and pondered performance, not incurring in the same mistakes as before, at world level, by other players in the financial area. Besides, the sector has been investing continuously in the training of its workers and in new technologies which have improved the interaction with consumers, thus reaching increasingly higher levels of satisfaction, as shown in recent studies.

### 2. What is your perception of the insurance sector in terms of performance and sustainability when compared to other areas within the financial market?

My perception is that, as opposed to what happens in banking, the insurance sector has been able to remain “boring”, but “boring” in a positive sense. Contrary to banking, which since the 1980’s/90’s moved from a sector dominated by “star managers”, with very high salaries in order to meet short term objectives, the insurance sector maintained good governance practises and a

wise and balanced management. There are some situations that may be cause for some concern, as in any sector, but it is not expectable that similar crisis occur like the ones experienced by the banking sector in recent years. There will be other challenges, namely as regards adaptation to new technologies and the challenges of regulation.

### 3. Which positive aspects stand out in the performance of the players in this sector?

I would highlight three positive aspects: the first is the prudent management of assets customers entrust the insurance sector and which has helped maintaining consumer confidence. Second, focus on new technologies which has enabled to offer customers different innovative solutions that may render peoples lives easier. Third, focusing on improving the quality of service, customer care and complaints management, which has enabled to improve the experience of customers with insurance companies.

### 4. Which aspects do you consider less positive that could be improved?

It is always possible to improve and I would highlight one I believe insurers should concentrate on: the creation of new technological solutions that turn interaction between the customer and the insurer faster, more pleasant and “unbureaucratic”.





## Paulo Moutinho

Editor of **ECO** news site

# “Competition has brought lower prices but also quality of service”

### 1. The ECSI Portugal study – The National Index of Customer Satisfaction concludes that insurance is the second area of activity the Portuguese trust more. Were you surprised with this conclusion or the data on the sector prove this idea?

It is indeed surprising. Insurance, given that many are mandatory (particularly car insurance and home insurance), tend to be seen as villains by the Portuguese, which does not contribute for the ranking of satisfaction or trust. However, the sector has changed. New players have made this business area more transparent, more competitive but also more efficient. Competition has brought lower prices, but also quality of service. And the response of insurers to claims, be they road accidents, for example, or those caused by the fires that affected the country, shows that the sector is more active now.

### 2. What is your perception of the insurance sector in terms of performance and sustainability when compared to other areas within the financial market?

After such a dire period in banking such as the one we lived in Portugal, certainly nobody wants to hear about a new financial crisis. The general perception is that the insurance sector tends to be more prudent as regards the risks it takes.

However, it ends up often to expose itself to more risky assets. We saw this in the last years, when low interests led management companies to look for assets with even greater risk in order to be able to offer appealing returns to investors. The IMF drew attention to that fact. Taking into account that this cycle of historically low interest is eventually reaching the end, we may avoid a more complicated situation for insurance companies, which, in turn, will start adapting to the new reality.

### 3. Which positive aspects stand out in the performance of the players in this sector?

Innovation, essentially. Either in terms of technology, in the relation with consumers or the development of new products, adapted to the new needs of customers, either in the Life branch or in the Non-Life business.

### 4. Which aspects do you consider less positive that could be improved?

The small letters. This does not happen in the insurance sector alone, that's certain. But it's in insurance, and in banking, that these small letters are more complex, rendering the assimilation of information more difficult by many Portuguese (who still have low levels of financial literacy).



## Opinion

### Inês Antas de Barros

Associate Coordinator,  
Vieira de Almeida & Associados

## The General Data Protection Regulation

**T**wo months away from the effective date of the General Data Protection Regulation (GDPR), which will happen as of May 25th, many organizations are preparing to implement this diploma.

The new legal scenario resulting from the GDPR entails a paradigm shift, based on a logic of self-responsibility, requiring organizations to collect and maintain evidence of compliance with new legal obligations.

The implementation of GDPR requires a holistic approach to the various streams – legal, technological and procedural. This approach may involve a more or less substantial change, depending on the structure and degree of maturity of the organization, as well as the complexity of data processing carried out.

The insurance sector – because it is a regulated sector – faces its own challenges. The specific obligations of the sector in terms of information security and cybersecurity, obligations to data holders and third parties, reporting obligations and retention periods are specific to the insurance sector that should be taken into account when designing and implementing the GDPR.

Given these factors, the adaptation to the GRDP by the organizations must be adjusted to the concrete case and the dynamics of each organization.

There are still some uncertainties that have an impact on the way organizations are implementing the GDPR. It highlights, first and foremost, the requirements of the national legal framework, the interaction with the control authorities, the operationalization of certain GDPR obligations (such as portability, privacy by default and design, impact assessments), articulation with future Community legislation and the process of harmonization between the various State Members.

Regardless of the GDPR implementation methodology adopted, organizations should consider the subject of personal data protection as one of the elements of the general compliance ecosystem, giving a strategic focus to the theme and taking advantage of the opportunity to enhance the value of information.

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