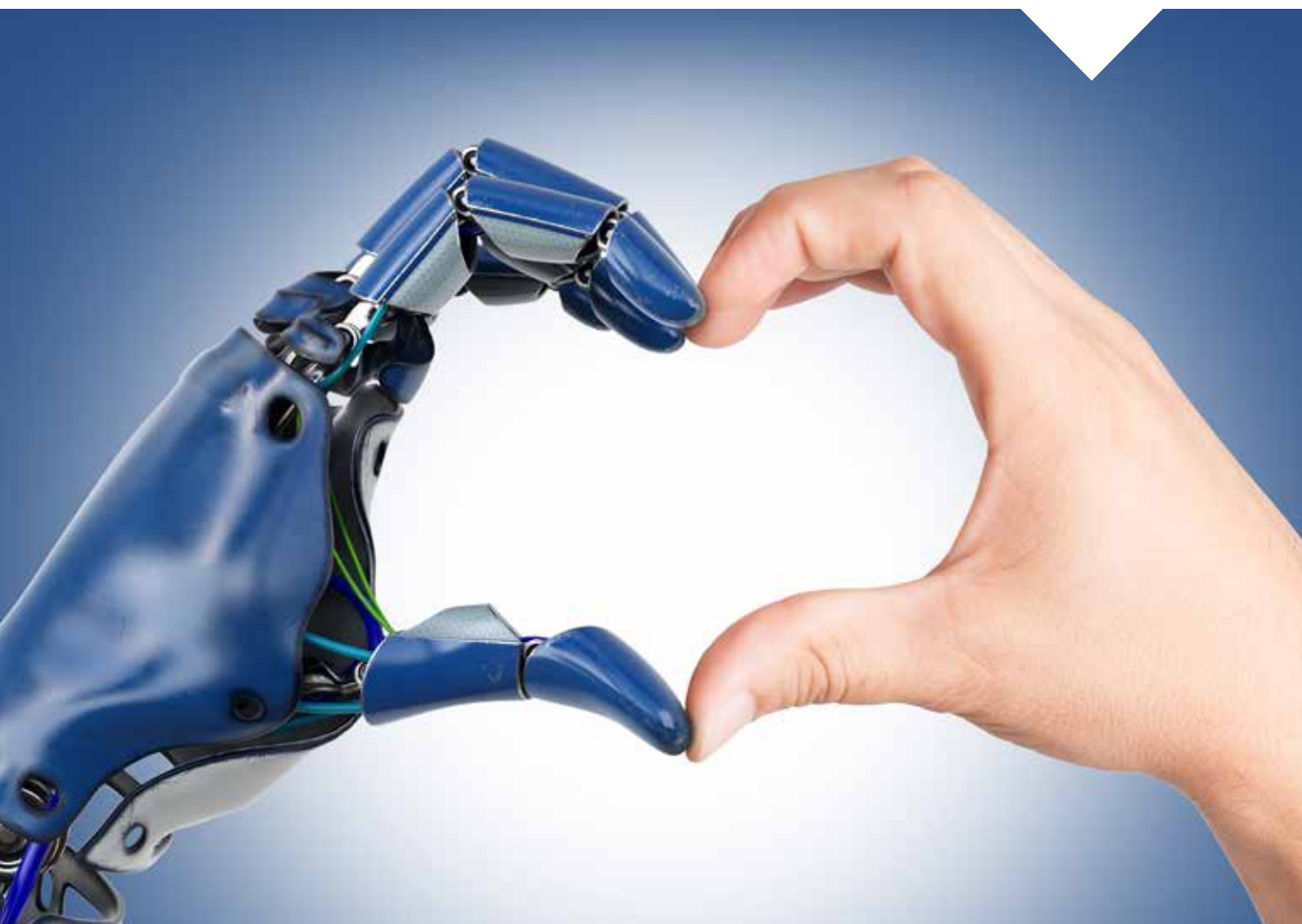


# Insurance & Citizenship

THE PRESENT AND THE FUTURE  
OF THE INSURANCE BUSINESS





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# Insurance & Citizenship



*"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope and the winter of despair. We had everything before us, we had nothing before us..."*

in 'A Tale of Two Cities' by Charles Dickens, about the French Revolution.

I read this quote in one of the chronicles written by Portuguese cardinal José Tolentino Mendonça and published in Expresso newspaper's magazine. The text focused on the way we look at the different dangers and opportunities and on the clear divide as to how we see school and I came to the conclusion that it would be absurd to return to the Cartesian dualism that privileges the mind and believes that we can dismiss the body, the emotions or the tangibility of the educational relationship while collaborative and community practice.

And this vision on school can perfectly be replicated as far as work in companies and life in general is concerned.

It's a fact that we are flooded with contradictory messages about the spread and effects of this new virus, the treatments to be applied and even about the vaccines currently being prepared. It is true that, despite all the ongoing research, there are still many unknowns as to the behaviour of the virus and the most effective ways to deal with it. We are flooded every day with measures, conflicting, more or less effective, more or less populist that are being put in place to prevent the collapse of economies and healthcare systems. However, this cannot lead to the creation of a new normal based on fear and fear of the unknown where everything rests only on digital interactions, at a distance, where machines and artificial intelligence replace close contact between people, in a cold and emotionless relational fashion.

Hence the importance of resuming face-to-face work in companies, resuming conviviality practices between colleagues and managers, establishing bonds with organizations, generating dynamics with a whole range of partners working together in new projects, meeting the needs of customers, assisting the economy and its workings and making relevant adjustments in light of future trends.

It is the duty of each and every one of us to make our contribution so that this may thus become a time of wisdom, faith, light and hope, a time for a better world. This will be undoubtedly a more digital, modern time with new forms of mobility and more technology, but we should never give up or minimize the importance of human contact and we cannot, should not, leave anyone behind, especially the most vulnerable.

The insurance sector, as a whole, can also make an important contribution, coming up with more expeditious solutions for its customers to ensure access to appointments and treatments for those who are sick, providing savings solutions to ensure safe and additional income in times of need and offering new products that meet the protection and safety needs of people and goods.

This is the motto of the current issue of this magazine.

Enjoy the reading!



**Alexandra  
Queiroz**

DIRECTOR GENERAL  
OF APS





João José Bica/Portal do Governo

## João Nuno Mendes **INTERVIEW**

SECRETARY OF STATE  
FOR FINANCE

*"The insurance sector can, and should, play an essential role in mitigating risks"*

João Nuno Mendes, Secretary of State for Finance, argues that new trends such as digitalization and climate change offer extraordinary opportunities and challenges to the insurance sector

### PORTUGAL WILL SOON HOLD THE PRESIDENCY OF THE COUNCIL OF THE EUROPEAN UNION. IS THERE A TOPIC ON THE PORTUGUESE PRESIDENCY'S AGENDA THAT REQUIRES SPECIAL ATTENTION OR CONTRIBUTION OF THE INSURANCE SECTOR IN PORTUGAL?

Financial services shall play a prominent role on the agenda of the Portuguese Presidency and the insurance sector will be no exception to this. We believe the amendment of the car insurance Directive will be of particular importance and the task of reaching a political agreement with the European Parliament on this matter may fall on the Portuguese Presidency. Portugal has stated his support as regards extending mandatory civil liability insurance, adapting it to the jurisprudence of the Court of Justice of the European Union, reinforcing the protection of victims of road accidents and improving the regime that acknowledges claim statements history, particularly in cross-border situations.

The promotion of initiatives related to operational resilience in the financial system will also be particularly important. In a context of swift digitalization of the economy, the increase in operational risks in this activity will bring new challenges with it that should be addressed.

At the national level, we aim also at promoting further developments in the insurance sector, in addition to those currently on the EU agenda. One of them, in line with the digital transition axis, pertains to the dematerialization of the car insurance badge. This measure is there both to simplify and reduce costs, including environmental costs and should have a major impact.

### HOW DO YOU LOOK TO THE FUTURE OF THE INSURANCE SECTOR - ALSO IN TERMS OF WHAT THE GOVERNMENT'S PRIORITIES AND IN PARTICULAR AS REGARDS DIGITALIZATION, CLIMATE CHANGE AND SUSTAINABLE INVESTMENT?

Digitalization of economy and climate change pose challenges to all sectors of the economy and to the financial sector in particular.

Climate change requires clear and firm action. We are already facing the effects of climate change and the more we take to implement measures the greater the effects and the more we will suffer in the future. The insurance sector can, and should, play an essential role in mitigating risks. We should study and assess a coverage system against natural risks, particular those that may fall on the disaster umbrella. And create also a safety net that ensures adequate coverage against environmental events, protecting people and property. Climate changes further

reinforce the importance of this system and mechanism. A system that will be there to meet the needs of households and companies, both accessible and affordable, in order to cover such risks.

Digitalization brings extraordinary opportunities and challenges to the insurance industry. Better knowledge of risks and the ability to anticipate them, more dynamic solutions to interact with customers, greater capacity to create tailored products and higher levels of efficiency. The technological and digital revolution in other sectors will force important changes in the insurance area itself. See the example of car insurance and all the economic reconfiguration that will take place with automated driving. How will this impact the accident rate?

THE ISSUE OF SAVINGS AND LOW HOUSEHOLD SAVINGS RATES IS AN ISSUE THAT CROSSES GOVERNMENTS AND HITS THE SPOTLIGHT ESPECIALLY IN CRISIS SITUATIONS. WHAT SOLUTIONS CAN BE PURSUED TO, ON THE ONE HAND, ENCOURAGE THIS SAVING IN HOUSEHOLDS AND FURTHER IN COMPANIES ALSO AND, ON THE OTHER HAND, TO AVOID WORSENING THE RECESSIONAL ECONOMIC CYCLE WE ARE FACING? COULD THE PEPP -

Digitalization brings extraordinary opportunities and challenges to the insurance industry. Better knowledge of risks and the ability to anticipate them, more dynamic solutions to interact with customers, greater capacity to create tailored products and higher levels of efficiency.



João José Bica/Portal do Governo

#### PAN EUROPEAN PENSION PRODUCT - PLAY A RELEVANT ROLE HERE? ARE TAX INCENTIVES TO BE EXPECTED?

We are focused and committed to boosting savings. Above all, it is important that citizens have income that allows them to save and invest. This Government, following the work started in the previous legislature, sticks to the aim of recovering and improving the income of our households. But it is also important to diversify the supply of savings products. And to that end we need to look at both the insurance market and at the capital market. Both have products that can be interesting for savers and provide alternatives to banking products. We believe that fair competition between the insurance sector, the capital market and the banking sector is paramount. At the end of the day everyone wins: households, businesses and the economy. In this regard the PEPP may play an important role in this diversification.

#### HOW CAN THE FINANCIAL LITERACY OF PORTUGUESE CONSUMERS BE REINFORCED BY THE GOVERNMENT - IN A CONTEXT IN WHICH FINANCIAL SECTOR OPERATORS HAVE TO DISCLOSE A WIDE RANGE OF INFORMATION THAT IS OFTEN NOT PERCEIVED BY CONSUMERS?

The increase in training and knowledge about the financial system will ensure that virtually everyone will have greater ability to analyse and understand risks and to consciously accept or reject a financial product. The sooner contact with these matters is promoted - more and more wide-ranging in the life of any citizen - the sooner we will have citizens able to make the best financial decisions for themselves.

Improving the quality of information policyholders are granted access to is paramount. Quantity is not enough, but above all, quality. To perform its role the message needs to suit the recipient, particularly when we don't have much time. Today, more information means more targeted, direct and accessible information.

#### IN YOUR OPINION, WHAT IS THE IMPORTANCE OF THE INSURANCE SECTOR FOR THE NATIONAL ECONOMY AND AS A HIGHLY RELEVANT INSTITUTIONAL INVESTOR?

The insurance sector plays an essential economic role in our society, ensuring the coverage of risks inherent to people's lives or to the operation of companies. Today it is hard to imagine a world where we would not be covered and have an insurance contract for a large part of our life... Think of the costs that this would mean for the economy.

Participation of the insurance sector in the financial markets is also very important and it represents a significant source of funding for companies and also for the State. The data released do point out to the ongoing importance of the insurance sector in the performance of this role as a significant institutional investor in the debt market, whether public or private. This participation is essential to allow the diversification of sources of financing for our companies, which will have thus alternatives to traditional bank financing. This circumstance is further reinforced in the current context of preparation and planning for the economic recovery and upswing, in which the availability of funding and capitalization becomes essential to ensure the recovery of our companies and the return to pre-pandemic levels. The insurance sector will therefore be able to play a key role in financing the recovery.



João José Bica/Portal do Governo

#### FROM A MORE PERSONAL PERSPECTIVE, WHAT TYPE OF INSURANCE DO YOU TAKE? AND WHAT ROLE DOES INSURANCE PLAY IN YOUR LIFE AND FOR YOUR SAFETY?

The insurance I take provide both safety and protection. I am aware that, up to certain threshold, I have insured and covered risks which I am exposed to, be it car or home insurance. Insuring is too little a cost and the failure to take one may imply huge costs we may not be able to bear.

The insurance sector plays an essential economic role in our society, ensuring the coverage of risks inherent to people's lives or to the operation of companies.





**Margarida Corrêa  
de Aguiar**

PRESIDENT OF THE  
PORTUGUESE INSURANCE  
AND PENSION FUNDS  
SUPERVISORY AUTHORITY  
(ASF)

## INTERVIEW

*"Supervisory bodies must take  
an active role in the digital  
ecosystem"*

**The President of the Portuguese Insurance and Pension Funds Supervisory Authority (ASF), Margarida Corrêa de Aguiar, considers that technological transformation and business models entail additional risks that differ from traditional risks**

**AFTER MORE THAN A YEAR SINCE YOU TOOK OFFICE AS PRESIDENT OF THE ASF, AND CONSIDERING THAT YOU COME FROM ANOTHER SECTOR, WHAT HAS SURPRISED YOU THE MOST, SO FAR, FOR BETTER AND FOR WORSE?**

Since I joined ASF I have had the opportunity to confirm what I already knew about the insurance sector and the pension fund sector. These are mature and experienced sectors whose operations rest on good practices and whose impact on society and the economy is, at all levels, indispensable and irreplaceable. This was nothing new, but I cannot fail to acknowledge the quality of management in both sectors and their ability to respond with

increasing levels of demand when it comes to offer solutions in such a competitive market.

Insurance companies and pension fund management entities in Portugal show a huge capacity for both resilience and adaptation to the dynamics of the market. Proof of that was the manner how they responded to the pandemic outbreak of COVID-19 in the market, as well as the strategies adopted to maintain and preserve the sustainability of the business in a thorough and balanced manner. Both sectors rely on motivated professionals with excellent training.

With regard to the insurance sector, in particular, I cannot fail to highlight the fundamental role the vast network of intermediaries plays in the distribution and assessment, on the ground, of the real needs of households and companies

**YOUR PROFESSIONAL CAREER IS MARKED BY A STRONG TECHNICAL COMPONENT AND, AT THE SAME TIME, BY A VERY INTERVENING SOCIAL ACTION. WHAT MADE YOU ACCEPT THE CHALLENGE TO CHAIR ASF?**

My career has been clearly marked by a sense of public service and I have worked with entities with a huge importance and impact on society and the economy. My professional path is marked by very enriching experiences, in a number of different sectors and with different leaderships, and in light of this I considered that I had the skills and knowledge to accept the invitation to chair this relevant Supervisory Authority.

The social initiatives I have been involved in throughout my life mix with my personal and professional path, as I have always believed that each citizen should, within his possibilities, get involved and share with the society he is involved in his efforts in favour of a common good. This responsibility of each individual is the way forward towards achieving a more just society, thus diluting social differences and disparities.

The fact that I found a group of committed professionals at ASF, with a vast knowledge of the supervised sectors, driven by a high sense of rigor and transparency, rendered the performance of my duties easier.

**HOW DO YOU LOOK AT THE SUPERVISORY FUNCTION? WHAT ROLE SHOULD IT PLAY AND IN WHAT WAY, ESPECIALLY IN A TIME OF CRISIS AND SOLVENCY IN THE**

## SECTOR?

Supervision has the mission of ensuring the regular functioning of the insurance sector and the pension fund sector, in order help ensuring consumer protection, promoting the financial stability and soundness of the entities under its supervision and ensuring the maintenance of high standards of conduct by operators.

The context of high adversity and complexity in which we live has motivated the ASF to adopt extraordinary measures in which the primary need to focus its resources on a demanding regulation and supervision stands out. The measures promoted have been implemented in close coordination with the remaining national supervisory authorities, as well as with the EIOPA [European Insurance and Occupational Pensions Authority], thus broadening the overall view on the risks and impacts of the current conjuncture in the economy and the financial system. ASF has introduced regulatory easing measures so that insurance companies could focus on their core operations, ensuring business continuity, and voiced recommendations for operators asking them to be aware of the fact that many of its customers were and are in a highly vulnerable position.

It is important to underline that Portugal has a solid insurance sector able to respond to the needs imposed by the severity of the health shock and its social and economic effects.

**IN WHICH AREAS WOULD YOU LIKE TO SEE INSURANCE COMPANIES' RESPONSIVENESS AND INNOVATION EVOLVE? DOES IT IMPLY CHANGING LEGISLATION? OR IS IT ALSO A PARADIGM SHIFT PROBLEM?**

Insurance companies know that they are no longer competing in a traditional market and that there is a set of new players out there with innovative performance dynamics. In parallel, or perhaps for the same reason, it is essential to acknowledge that there is a new generation of consumers with different requirements who are looking for new forms of relationship with service providers.

But the transformation of technology and business models brings additional and different risks from traditional ones with it. For example, a fair share of innovation relies on handling a large amount of data that creates risks associated with the protection and safety of data and systems.

Supervisory authorities must take an active role in the digital ecosystem, balancing the benefits and risks for the

consumer and the market. ASF has argued that regulation should be technologically neutral. A balanced regulatory framework is essential to provide a high level of consumer protection without creating unnecessary obstacles to innovation.

The insurance sector has been very fast in adopting innovations resulting from the application of technology in the areas of management, operations, risk assessment and marketing, but it has been slower in offering products that meet the needs brought about by such important phenomena such as the ageing of the population and the increase in longevity or climate change and the digitalization of the economy. The insurance activity plays a very important role here, either through the offer of savings and long-term health insurance (long care) or life insurance linked to the reverse mortgage, or reducing the protection gap that today has reached very worrying levels, such as, for example, coverage of seismic risks.

We have to find an answer for the current risks in this paradigm shift and society should take into account the need to face them. This response implies an awareness of society about the existing risks.

**THE GOVERNMENT IS PREPARING PLANS TO RECOVER THE ECONOMY IN THE FACE OF THE PANDEMIC WE ARE EXPERIENCING. HOW CAN THE INSURANCE AND PENSION FUNDS SECTOR CONTRIBUTE TO THE RECOVERY WE ALL LONG FOR?**

Both sectors have responded pretty well to the current pandemic context. The economic recovery - especially given the nature of the events that triggered this recession that is affecting the normal functioning of society and the economy, urging everyone to rethink investment decisions - requires confidence on the part of both households and economic agents, as well as resilience in the face of adverse episodes.

The insurance sector should keep playing a major when it comes to address this challenge, ensuring professional management of relevant risks, both biometric and equity, generating greater capacity for households and companies to react to unexpected and adverse events, which could hardly be sustained on their own through mutualisation mechanisms.

Taking into account the priorities defined in the recovery and resilience plan, namely the climate transition and the digital transition, which requires profound paradigm



changes, the insurance sector can play an important role, both as a large long-term institutional investor, supporting the funding of infrastructure projects and contributing to sustainable finance, or under the scope of professional management of associated risks.

**WITHIN THE CONTEXT OF THE CURRENT COVID-19 PANDEMIC, HOW IS THE NATIONAL INSURANCE SECTOR REACTING TO THE MARKET AND TO THE PARTICULAR NEEDS OF ITS CUSTOMERS RESULTING FROM THE PANDEMIC OUTBREAK? CAN THE CURRENT CONTRACTION OF THE ECONOMY JEOPARDIZE THE STABILITY AND SOLVENCY OF THE NATIONAL INSURANCE SECTOR?**

The insurance sector has adapted very well and very quickly to the new and exceptional reality of the year 2020. The ability shown by operators to keep their operations under teleworking regime without any signs of reducing of the quality of service, the acceptance of the "moratorium" regime provided for in Decree-Law no.

F / 2020, of May 12, or the supply of products adapted to the new reality, such as, for example, medical advice through non- presence means or the implementation of marketplaces, proves the sector's huge capacity for both adaptation and innovation.

Economic contraction leads to a deterioration of the insurance sector's market environment at all levels. ASF has thus been monitoring operators using the right metrics such as, for example, in the prudential aspect, indicators of profitability, solvency, liquidity and loss ratio, using also complementary approaches such as stress tests to test adverse scenarios that could materializ

**THE LIFE BRANCH HAS BEEN WITNESSING A DROP IN OUTPUT ACCORDING TO THE MOST RECENT FIGURES RELEASED BY THE ASF. HOW DO YOU EXPLAIN THIS? IS THIS A TREND THAT WILL CONTINUE?**

In a context in which the low interest rate environment is expected to continue, and the economic recovery in post-COVID is still uncertain, no changes in this trend are to thus be expected, thus pointing to difficulties as regards offering products with appealing guarantees.

The lack of knowledge and the complexity of financial insurance, the difficult access to such products by lower income classes and the fact that current generations tend to prioritise experiences rather than services that provide security, among others, are some of the challenges faced by the Life branch. The lack of policies to encourage individual and collective long-term savings does not help either.

**WHAT MARK WOULD YOU LIKE TO LEAVE IN THE INSURANCE SECTOR IN YOUR MANDATE?**

My personal objective, shared by the current board of directors, is to enable ASF to respond to a strategy that ensures effective supervision in contexts marked by demanding challenges, in which, in addition to prudential supervision adapted to new risks and business models, the actions of the operators' market and governance matters stand out.

ASF recently completed the strategic planning for the 2020-2024 period, a process that was shared internally and relied on consultation with external stakeholders. We will pursue the objective of deepening an integrated model of supervision and strengthening the regulatory instruments available and we believe it is important to value

institutional cooperation and invest in communication as both information and supervision tool. We launched an important digital modernisation project to provide ASF with digital tools for the supervision and efficient and safe management of internal processes.

It is my clear objective to cement trust in the sector, the best indicator of consumer satisfaction and soundness of the insurance activity.

The insurance sector has been very fast in adopting innovations resulting from the application of technology in the areas of management, operations, risk assessment and marketing.





## INTERVIEW

### THIS SECTOR HAS BEEN LUCKY ENOUGH TO DEAL WITH HEALTH, EDUCATION, SAVINGS, REFORMS AND ASSORTED ISSUES THAT REALLY MATTER IN PEOPLE'S LIVES

Jorge Magalhães Correia, Chairman of the Board of Directors of Fidelidade. Pedro Carvalho, CEO of Generali Seguros Group. And Steven Braekeveldt, CEO of Continental Europe Ageas and CEO of Ageas Portugal. Three CEOs of three major insurance companies sat side by side and, in a joint interview (which you can watch in full using the QR Code provided on this page), talked about the present and the future of the insurance industry. The pandemic crisis, the sector's response, Healthcare, digitalization and Artificial Intelligence, the Car Branch, accident claims, savings and Social Responsibility, the solidarity arm of these companies.

#### THE PERFORMANCE OF THE INSURANCE ACTIVITY REQUIRES SPECIFIC AND RIGOROUS WEIGHING AND RISK ASSESSMENT. THERE ARE PREDICTIONS OF DISASTER OR WEATHER CHANGES. BUT DID ANYONE THINK OF PANDEMICS?

Jorge Magalhães Correia (JMC): If our plans predicted that economic activity could stall because of a pandemic, that we would no longer be able to move around freely, that countries with robust health systems would collapse, the answer is no, we did not predict the pandemic. Neither we nor anyone else. I was surprised to see that, at the end of January [2020], the main world leaders, gathered in

Davos, Switzerland, debated geopolitics, cybernetic and environmental risks but completely ignored the risk of a pandemic as it was certain that the epidemic was already there in China. And the memory of further outbreaks was not that remote.

Steven Braekeveldt (SB): I will be very brief. It was planned, but it was not our top priority.

At the Ageas Group, we identify the 130 largest market trends annually. The risk of a pandemic has been clearly identified in the past two years, but did not figure at the top of our

priorities... and it was not a priority for anyone a year ago.

#### WE WOKE UP IN A DIFFERENT WORLD. WE CLOSED OUR DOORS, WENT HOME AND STARTED WORKING FROM THERE. DIGITALIZATION BECAME THE PARADIGM OF OUR LIVES. WHAT ARE INSURERS DOING AT THE MOMENT, WHAT CONTRIBUTIONS ARE BEING MADE BY INSURTECH?

JMC: There is good and less good digitalization. Good digitalization brings more efficiency, less costs and better quality of service for customers. The less good refers to certain digital sales models. At a recent international conference, I heard the head of a major international insurance company say that one of the worst things about COVID was the impact of purely digital models, which artificially increase the level of competition, but raise sustainability issues in some areas and sacrifice the quality of customer service. Then there is the issue of how Digitalization in the sector should take place. It has to be done in an inclusive way. Our population is aging and financial literacy, on average, is below the European level. And therefore, we must make sure not one is left behind.

Pedro Carvalho (PC): Do not mistake gadgets and technological news with the potential of digitalization to change our business model. Digitalization means simplification of processes and greater speed and efficiency in the way things are done, easier contact with intermediaries and customers. Gadgets can make it easier to come closer to the company. They are welcome, just like digital sales. But digital sales don't allow the same level of service and the same value proposition that one achieves with an intermediary. A video expert's report does not exclude physical expert's report. It complements, speeds it up.

#### YOU SPOKE OF THE CAR BRANCH. CAN ARTIFICIAL INTELLIGENCE (AI) AND DIGITALIZATION SOLVE IN MINUTES WHAT WOULD TAKE A FEW DAYS TO ACHIEVE NOW THAT YOU MENTIONED EXPERT'S REPORTS?

PC: A customer sells a car, cancels the policy during the weekend and on Monday will have the money in his account. We can take a photo of health-care expenses and submit them. It's digitalization at the service of processes simplification. Increases efficiency and speed.

#### NEXT GENERATION EU INVOLVES THE DIGITAL AND GREEN ECONOMY. WHAT STEPS ARE INSURERS TAKING TO FOLLOW THIS PATH POINTED OUT BY THE EUROPEAN COMMISSION?

SB: This has nothing to do with COVID-19. What Europe is saying is something more profound. Our generation has ruined the world. Now we have to remedy what we can. Europe says there is nothing wrong with making a lot of money, but at the same time we must save the world from the damage we have done.

#### THIS CRISIS HAS ENHANCED THE ROLE OF INSURERS IN AREAS SUCH AS INCLUSION AND SOCIAL RESPONSIBILITY. CAN YOU PROVIDE EXAMPLES?

SB: Many. We had the possibility to lay off employees but we decided not to. We focused rather on ensuring the necessary conditions for all Employees to be able to work from home safely; through the Ageas Foundation we supported multiple causes, communities and the most vulnerable people; we produced and donated 12,000 masks to institutions thanks to the volunteer

The sector also has, in general, the right ingredients and culture of mutualisation of risks and proximity to the client and prospects of becoming a very important sector in the 21st century. Undoubtedly the most important in the financial sector

Jorge Magalhães Correia







work of our employees (at the beginning of the pandemic, no one had masks); we continued to support culture and artists; we adapted our offer and created new services for Customers... and much more, it was one project after another, because it was necessary.

**JMC:** I would highlight the assistance provided by this sector to the entire ecosystem that supports our activity. Customers, suppliers, experts, car repairers, contact centres. Limiting the effects of the crisis, keeping the same income levels and anticipating future income, in addition to supporting customers through moratoriums, return of premiums, coverage of expenses, etc. We proved to be a supportive sector. It's difficult to come up with examples considering that there were so many initiatives. APS set up the Solidarity Fund, which was an important joint initiative. The sector must be proud, because this crisis had all the ingredients to jeopardize the reputation of our activity, but we managed to come out stronger.

**HEALTH BECAME ONE OF THE TOP PRIORITIES. WHAT'S IN IT FOR INSURERS, ASIDE FROM SELLING POLICIES? TELEMEDICINE, PARTNERSHIPS WITH THE STATE AND/OR SOCIAL SOLIDARITY INSTITUTIONS?**

**SB:** I see things from a different perspective. We must move towards prevention. I speak of the percentage of the population (35%) who have diabetes and 42% of them don't know they have it. It's a huge cost to society. We have to engage in prevention. Whoever has it, must know

that he has it. The cost for the National Health Service is huge. We are not only there only when we receive a complaint. It's our business and we have to be there before and act in anticipation in order to prevent things. It is good for people's health. Our focus is pure prevention.

**JMC:** I am not sure that we are going through a cyclical event. Health concerns will be relevant in the next decade. Today we have COVID-19, tomorrow we may have another outbreak. Perhaps we are exaggerating as regards the expectation of a return to normality. Vaccine research, production, development and distribution is a complex challenge and the lack of international consensus among major powers will hinder the effectiveness of the response. My feeling is that we have to change the vocabulary. I see here an analogy with terrorism and 9/11. At first, we thought about eliminating the risk, then we learned to live with it, to control the social and economic impact of that risk. We will use a kit putting together vaccines, therapies, social distance, masks and hygiene. We will have to learn how to live with this risk and to manage it.

**AND THAT'S WHERE INSURANCE COMPANIES COME IN?**

**JMC:** You just talked about partnerships and health... If there was something I missed during the pandemic, it was better collaboration between the public and private sectors in managing the process. Especially in the area of Healthcare and also in the case of earthquakes, forest

It worries me to see hospitals half empty and to see people dying from other causes that we don't know, that are not diagnosed. There is serious work to do. Access to hospital care should be independent of the provider.

Pedro Carvalho

fires, floods and, it I may say, epidemics. Public and private must go hand in hand and this is a priority. This crisis shows that there are issues that, due to their depth, size and importance, must be managed based on new institutional consensus between the State and the private sector. There has been a prejudice that prevents the optimisation of the use of resources, but we need to overcome that. There is no other way.

**SO, ONE OF THE LESSONS OF THE CRISIS IS THAT THE STATE, THE PRIVATE SECTOR AND SOCIAL INSTITUTIONS MUST GO HAND IN HAND ON SOME ISSUES?**

**PC:** All the ideological burden that falls on the provider's shareholder has to disappear. The provider is there and serves the public interest and that of the Portuguese. It worries me to see hospitals half empty and to see people dying from other causes that we don't know, that are not diagnosed. There is serious work to do. Access to hospital care should be independent of the provider.

**SO WHAT'S MISSING?**

**PC:** Political and social consensus is lacking. This is a political issue. And that's what prevents it from happening.

**LET'S MOVE NOW TO THE CAR BRANCH. THE NEW MOBILITY MANAGEMENT, AUTONOMOUS, ELECTRIC CARS, BICYCLES... HOW DO INSURERS LOOK AT WHAT IS HAPPENING?**

**PC:** There are cyclical changes and secular trends with a structural impact. During lockdown the accident rate came down for a few months, but not as people believe. We witnessed levels of decrease of 50% for two months but, upon our return, we witnessed a significant increase in accidents' rate. We had already seen this in Asian countries. The figures are now above those witnessed previously, due to the massive use of public transport. China is 20 to 30% above the average. In Asia, people don't want to keep working from home. We are talking homes with 40 square meters, with five or six people in them and as soon as they could they started working outside the home. And the accident levels are high. The Internet of Things (IoT) and car automation will, in the long run, make insurance more limited. If cars have the intelligence to never crash, the type of risk will be lower, the price will be lower and the risk to be covered will be different. Reality changes. When insurance companies started there were no cars, there were boats and world trade. Where the world economy evolves, insurers follow.





We are all concerned with the economy and people. Looking at other countries I see that Portugal has taken the right steps. I welcome the discipline, it was necessary for the economy to grow in order to avoid bankruptcy and to control the unemployment rate.

Steven Braekeveldt



**SB:** Usually, when I go to a theatre I like to see all the acts in the play. We are immersed in the first act and forget the number of acts until the end of the crisis. The play is still on. In the particular case of Healthcare, people refuse to go to medical appointments and are rescheduling appointments and this will have costs in the future. The play is in the middle and we still don't know how the plot unfolds.

#### DON'T INSURERS HAVE A CRYSTAL BALL WITH PREDICTIONS?

**JMC:** Three months ago, there was talk of insurers returning car insurance premiums. Today, the number of accidents on working days is only slightly below normal and this level is expected to remain as it is if we keep witnessing a lack of confidence in the safety of public transport and the costs of repair and stoppage of vehicles did increase due to disarticulation of supply chains.

#### WHAT ABOUT MORE STRUCTURAL CHALLENGES?

**JMC:** They are will come. Mobility is changing and insurance will focus more on product liability than on the driver. But before reaching that point, the entire operational dynamics of auto insurance management is changing profoundly, in a constant search for efficiency and service improvement. Today, for example, we were able to turn an experience, say analogue, like filling an Accident Mutual Statement (DAAA in Portuguese), after a road accident, into a digital experience with immediate response, taking only minutes to open the claim, defining responsibilities and scheduling the expert opinion. The insured will be able to make "smart" pre-inspections of

the vehicle they want to insure, the workshops can check the approved budgets "just in time" and the experts will be assisted by virtual assistants of augmented intelligence. We have entered a new world and I feel the sector as a whole is prepared to face these new realities.

#### CUSTOMER SUPPORT MEASURES, MORATORIUMS, RE-INNOVATION...

**SB:** We are all concerned with the economy and people. Looking at other countries I see that Portugal has taken the right steps. I welcome the discipline, it was necessary for the economy to grow in order to avoid bankruptcy and to control the unemployment rate.

**PC:** The regulator monitors the situation of companies to ensure that the sector manages to come out of this crisis. The sector has given strong support to the economy, with multiple guarantees. But before regulation, we had some "self-regulation"; the companies were already increasing their default rates, supporting their customers. The regulator was able to help fix thing as much as it could. This is a crisis different latitudes and the duration of which we don't know.

#### WE ARE TALKING ABOUT ECONOMICS. WE HAVE LOW INTEREST RATES AND UNCERTAINTY IN THE CAPITAL MARKET. AND THIS YEAR, THE SAVINGS OF THE PORTUGUESE REACHED HIGH LEVELS. HOW CAN THE SECTOR CAPTURE THESE SAVINGS?

**JMC:** Someone said that savings are a kind of physical exercise for the economy. It is savings that allow us to have health, strength and quality of life. It is what allows the economy to cope with unforeseen events. There is a

The Internet of Things (IoT) and car automation will, in the long run, make insurance more limited. If cars have the intelligence to never crash, the type of risk will be lower, the price will be lower and the risk to be covered will be different. Reality changes. When insurance companies started there were no cars, there were boats and world trade. Where the world economy evolves, insurers follow.

Pedro Carvalho

structural savings deficit in Portugal. Especially in medium and low income strata who are more adverse to risk, with less financial culture to understand the risk-customer products. And this happens at a time when all insurers are abandoning the idea of guarantees for investments, due to the regulatory rules and associated capital requirements. The savings problem in Portugal can only be solved with the implementation of a second, minimally active and clear pillar, supported by the contributions of companies and employees. Only then do I see the ability to generate a replacement salary at the time of retirement. The rest are small savings. I see no other way to stimulate savings than this. I don't think the short-term tax benefits, which the Government implements and removes, will solve the problem.

#### AND INVESTMENT. WHERE ARE COMPANIES INVESTING?

**JMC:** In the case of Fidelidade, we have 15% of our assets invested in public debt (more than EUR 2 billion). It is good that the premiums and savings of the Portuguese do not serve to finance the economy of other countries. If you can finance the country's economy in a through manner, the better.

**SB:** The Ageas Portugal Group invested in Portuguese public debt, in the real estate sector and in renewable energies. We invested around EUR 15 billion in the Portuguese economy and this figure is growing annually.

**PC:** From the shareholder perspective [Generali Companhia de Seguros], we have 750 billion assets globally. They are well aware of issues such as sustainability and the green economy. Portugal is not that unappealing. In a context of low interest rates, investors with 2% to 3% yields... Our role, as Tranquilidade, is to attract investment to such areas.

#### WHAT ABOUT SAVINGS?

**PC:** We have to attract capital. We must have an appealing fiscal and regulatory environment. We have to have talent. Talent attracts capital. I think it is possible





for the Portuguese to save more. It does not have to be via tax incentives, but there can be no disincentives for savings. As soon as we start saving, someone appears to confiscate a tax on the tax. Most of the Portuguese savings are accumulated in their homes. With the aging of the population, half will be retired in 2050. We have a very big challenge ahead. Retired populations have a large part of their assets accumulated in real estate, which is not the case in other European countries. There must be other solutions. And the insurance industry can be part of it.

#### DOES STEVEN BRAEKEVELDT HAVE A CULTURALLY DIFFERENT VIEW IN RELATION TO THE PORTUGUESE, AS REGARDS SAVINGS?

JSB: When I was a child, my parents educated me to remember just two words: work and savings. I educated my children the same way. There are two important things in life: working and saving. But I don't hear that in Portugal. It is something cultural that we have to repeat in schools and at home. Repeat, repeat. It's a mentality issue.

We proved to be a supportive sector. It's difficult to come up with examples considering that there were so many initiatives. APS set up the Solidarity Fund, which was an important joint initiative. The sector must be proud, because this crisis had all the ingredients to jeopardize the reputation of our activity, but we managed to come out stronger.

Jorge Magalhães Correia

#### WHAT HAS THE CRISIS PREVENTED OR CHANGED IN YOUR BUSINESS PLAN? POTENTIATED, ACCELERATED OR DISCOURAGED?

JMC: We have a reasonable degree of certainty as regards this year, and a great deal of uncertainty about the next. The productive fabric and the households' income will be weakened by this crisis and, therefore, our business plan will have to suffer some adjustments, but not significant changes. The essential will remain. We will continue to be a technologically advanced company, with an inclusive digital strategy, always attentive to human values.

#### WILL WE ALL BE WORKING FROM HOME?

JMC: I honestly don't think so. What has changed is the fact that we will need less physical space and we can have much more flexible schedules. To give an example: many of our intermediaries use the last hours of the afternoon to send requests to Fidelidade, some of which are typically answered the next day. Now, we will certainly have employees who would prefer to work during these hours to avoid travelling during rush hour, as this suits their lifestyle better. In other words, we will be able to provide a better service, because we will come out of this crisis more digital and paradoxically more face-to-face. And we will not lose physical contact. I believe that cooperation in the workplace helps establishing a team spirit, a sense of belonging to a company and a brand. I don't believe that the future is less relational, nor that teams with personal contact in the same physical space can be dispensed with. The means may be different.

SB: I see many challenges, and that's what makes this such an exciting industry. How can we find the balance between corporate culture and work from home? I would say it is urgent to find that balance. It was easy in the past and now we must keep involving our staff and fostering organizational culture. How to incorporate sustainability into the process in our company? And inclusion? It is a tremendous challenge. All businesses are about risk mutualisation. There are big challenges ahead of us that are part of our future strategy.

PC: Roughly speaking, our strategy will continue for the next few years, obviously with a predictable decline and a relatively slow recovery. We will have a material impact in the coming years, but that does not stop the challenges from continuing. This whole paradigm between pricing, risk, the principle of mutualisation, data protection, between what is can and cannot be shared... all this means structural challenges that the industry currently deals with and will have to deal with in the future.

When I was a child, my parents educated me to remember just two words: work and savings. I educated my children the same way. There are two important things in life: working and saving. But I don't hear that in Portugal. It is something cultural that we have to repeat in schools and at home. Repeat, repeat. It's a mentality issue

Steven Braekeveldt

#### REGARDING THE FUTURE OF THE SECTOR, IS HUMANISATION ONE OF THE PILLARS OF THE SECTOR'S APPROACH?

SB: In our business we use words like equity and Artificial Intelligence but few use the word love, emotions, intimacy or relationship. I believe that in the future we will have to use them. Humanisation of the business is the key. We should feel more at home, even when working from the office.

JMC: As The Beatles used to say, "All you need is love". Technology changes, but there is something that remains stable in our lives. Our brain has been the same for millennia. A substantial part of our brain is emotions. There are no good business decisions where emotion cannot be involved. We are happy to deal with issues like health, education, savings, reforms and everything that is really important to people's lives. We believe that the differentiation between insurers will be based on people and not on technology, because all companies will have inevitably access to the same technologies. This has been our choice for some years now. And the sector also has, in general, the right ingredients and culture of mutualisation of risks and proximity to the client and prospects of becoming a very important sector in the 21st century. Undoubtedly the most important in the financial sector.

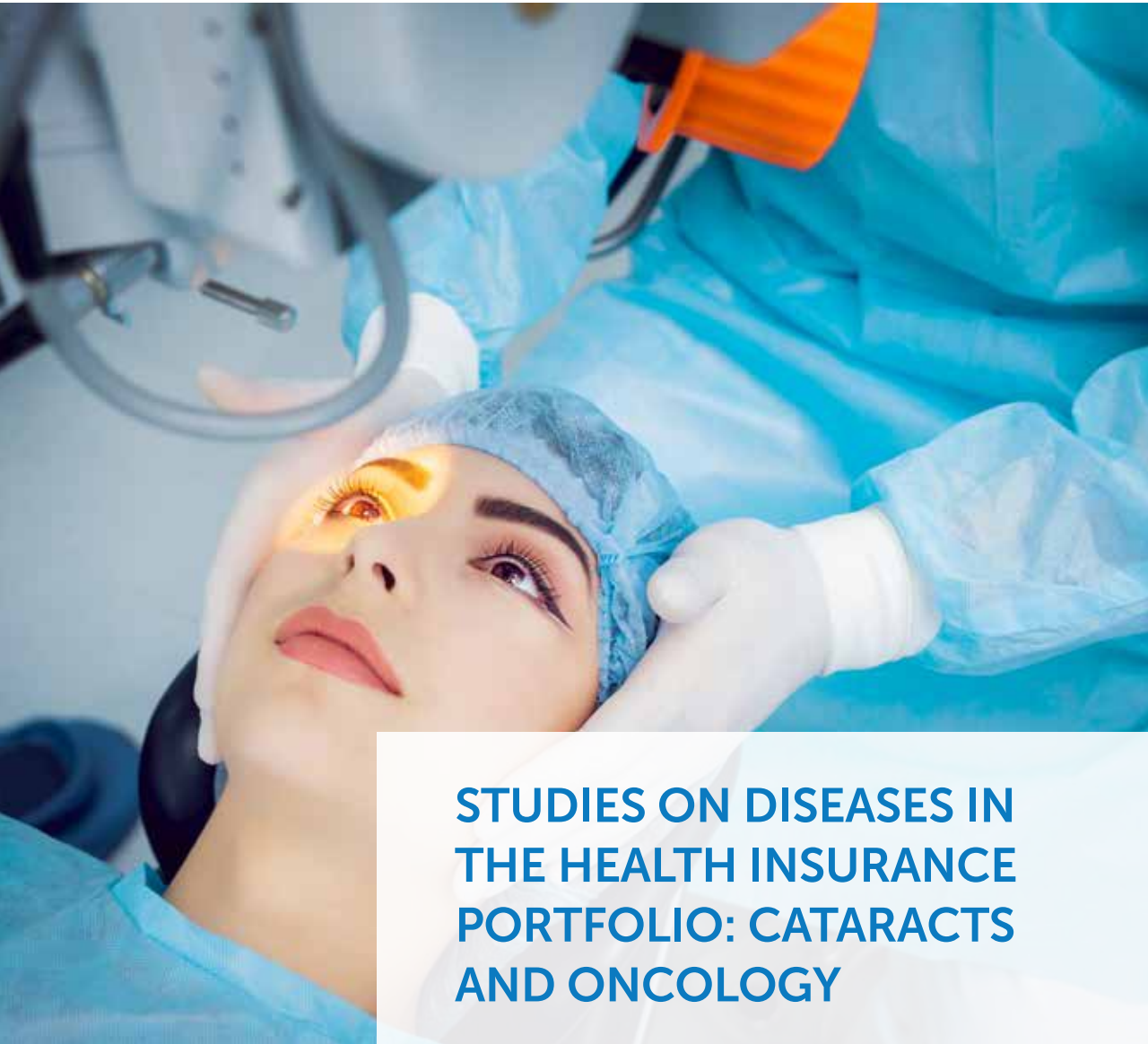
#### AND 20 YEARS FROM NOW, WHERE CAN THE SECTOR BE?

SB: The biggest challenge is disease, because there are no major concerns as regards prevention. Furthermore, there is also the challenge of pensions and savings in a society where life expectancy is increasing and there is no long-term preparation. This is challenge for us.



Adapted excerpt from the interview which can be watched in full using this QR code.





STUDIES ON DISEASES IN THE HEALTH INSURANCE PORTFOLIO: CATARACTS AND ONCOLOGY

The increasing prevalence of certain diseases in the health insurance portfolio, largely due to the ageing of the insured population, justifies special attention from the insurance sector in the analysis of its characteristics and impacts.

Among these diseases, those associated with oncology and the treatment of cataracts stand out, which have already been the focus of a more detailed analysis.

CATARACTS:

The study on cataracts aimed at analysing the evolution of the incidence of the respective surgeries in the loss ratio of the health insurance portfolio. The information treated covered the period from 2014 to 2016 and, with regard to the sector's data, it had a sample of 91.3%, in terms of direct insurance premiums in the Health sector in 2016.

First of all, cataracts – which are the loss of the transparency of the crystalline, causing a blurred vision that settles slowly and progressively – is a disease that tends to manifest itself in older age groups and whose only effective treatment is in fact, its surgical extraction and implantation of a lens.

According to data from Eurostat and OECD, Portugal is the country in Europe with the highest per capita incidence of these surgeries, with an annual rate (14 per thousand inhabitants in 2015) that is, for example, twice that of Spain.

In line with what was to be expected, the data showed that, between 2014 and 2016, the annual number of cataract surgeries covered by insurance increased significantly, specifically 26%, with significant growth, both in 2015 and in 2016, and reaching more than 5,000 this past year.

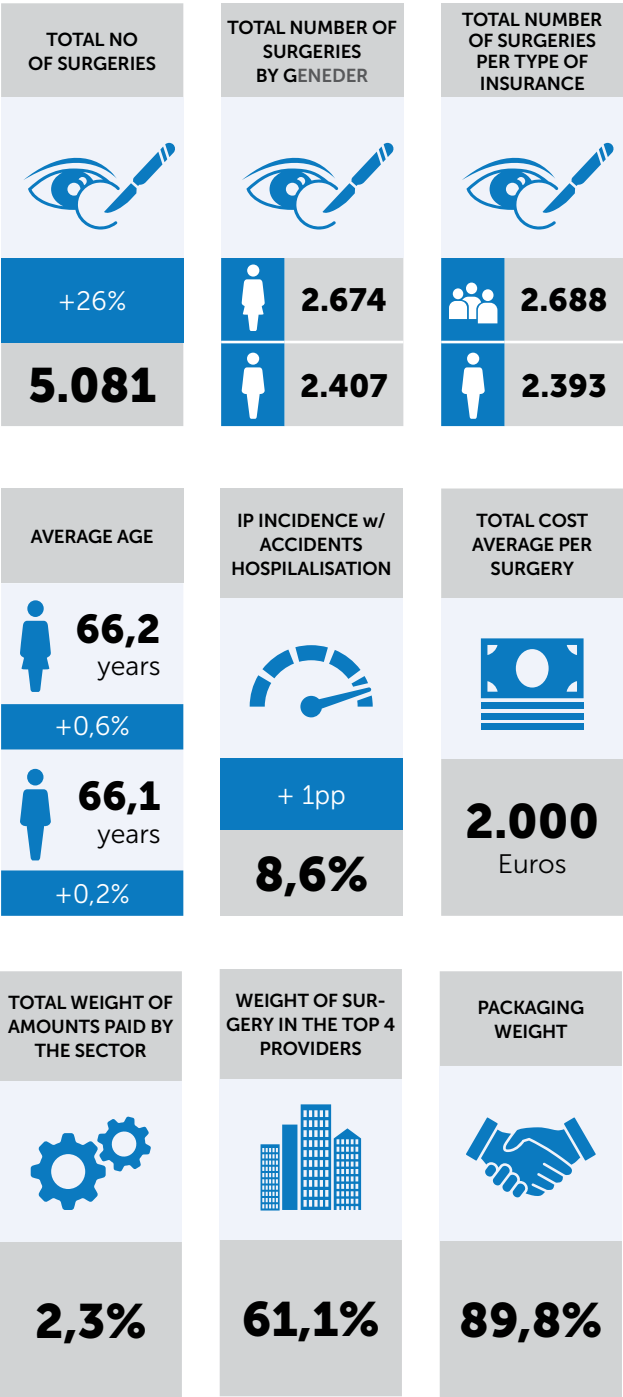
As expected, these surgeries are mainly concentrated in high age groups and the average age is around 66 years. The age group with the most cataract surgeries in 2016 was 65 to 70 years old, but the one with the greatest growth from 2015 to 2016 was even over 80 years of age (+ 40%). As for the age brackets up to 55 years old, where most of the insured population is concentrated, they were submitted to less than ¼ of these surgeries – still a relatively significant slice in relation to the disease in question.

Given its current characteristics, this surgery is almost always performed on an outpatient basis (97%).

Nevertheless, its average cost for the insurance sector was around 2000 euros, a figure that is estimated to be well above that in force in other reference markets (although the last existing comparative data refer to 2007) and those officially established in our country for the System Integrated Management of Registrants for Surgery (under 1000 euros) and for the National Health Service (around 1300 euros).

In summary, cataract surgery has an increasing impact on health insurance, largely due to the expansion of the insurance portfolio to older age groups, but also to earlier intervention in policyholders of other younger age groups. In 2016, it is estimated that the amounts paid by insurers with this surgery amounted to close to 10 million euros.

CATARACT SURGERIES COVERED BY INSURANCE



Sample: 91,3%, in terms of direct insurance premiums in the Healthcare sector (2016)



ONCOLOGY:

Regarding the study of oncological disease, it was intended to analyse its evolution in the health insurance portfolio from 2015 to 2017, with detail in relation to some types of cancers, in particular: colorectal; breast; prostate; lung; and haematological cancers. This study received information from a sample of 98.6% of the insurance sector.

In the period under review (2015 to 2017), there was an increase of about 35% in the number of cases of oncology being treated in the insurers' portfolios. In 2017, with 8 002 new cases, a total of 23 503 cases under treatment under insurance contracts were reached.

The new cases appeared mainly in the age groups above 40 years old, mainly between 60 and 70 years old. This evolution will reflect the aging of the safe population, but it also indicates an increased capacity to treat oncological disease in the private sector.

In 2017, the cancer with the highest incidence in the insurance portfolio (excluding the "Others" item) was breast cancer, with 1,168 new cases. Second, with 727 new cases, is prostate cancer, which witnessed the greatest growth compared to the previous year (+ 53%).

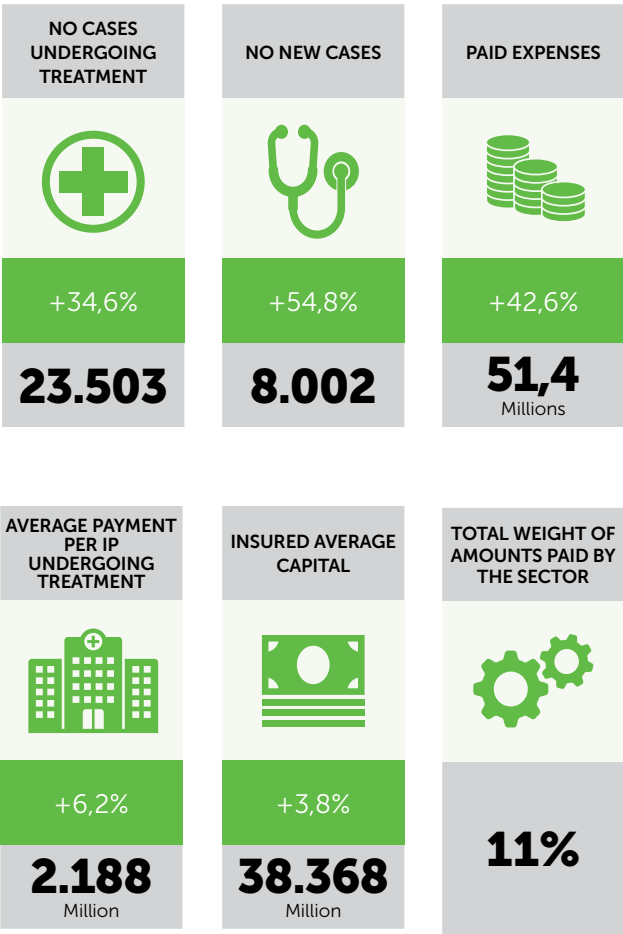
As for expenses associated with oncological diseases, insurance companies covered more than 51 million euros in 2017, equivalent to 11% of the total amounts paid in the industry and a growth of 42.6% compared to 2015. Here, chemotherapy expenses stood out, which grew above 30% per year and above the growth of any other expense.

A complementary analysis of the data obtained also indicated that there are more treatments and more innovative drugs in the treatment of cancer, with active ingredients whose amounts paid grew more than 1000% from 2018 to 2019.

Greater access to innovative molecules is one of the reasons for this growth. Some classic therapies (cytotoxic) have lost importance, but, on the other hand, immunomodulators have increased. It should also be noted that biological drugs predominate, essentially monoclonal antibodies (mAB - Monoclonal Antibodies). Immunotherapy aims at helping the immune system to increase its effectiveness in detecting or delaying the growth of cancer cells, thus preventing the cancer from spreading, and contributes to increasing its effectiveness in eliminating cancer cells.

The conclusions of these studies show above all the importance of reinforcing the focus on prevention and early diagnosis, as well as monitoring the scientific and technological evolution of treatments related to cancer, in order to allow the sector to follow these trends, responding to the challenges inherent to an older population.

ONCOLOGY TREATMENTS IN INSURERS' PORTFOLIOS (2015-2017)



Sample: 98,6%, in terms of direct insurance premiums in the Healthcare sector (2017)



THERE WILL BE NO CITY WITHOUT NEW TECHNOLOGIES

João Ferrão, with a PhD in Human Geography, and Patrícia Melo, Associate Professor at ISEG, specialist in Transport Economics and Geography, cover the issue of Smart Cities. IoT, Data, AI and sensor technologies implemented in a space where infrastructures, means of transport, environment, public space, mobility and citizens all mingle.

Smart cities. There are many definitions for the descriptive concept of a city that promotes the dialogue between people and public spaces, technologies, infrastructure, public services, environment, health, mobility, energy and sustainability.





João Ferrão, retired research coordinator at the Institute of Social Sciences at the University of Lisbon, refocus on that initial idea based on “an individualistic technological vision with two components”. The first, the “bet on new technologies, digitalization, Internet of Things (IoT) and Artificial Intelligence (AI) and data platforms that are there to render the city more efficient. Smart as in connected to technology”. The second, the “pillar of the individual, as the concept of smart city was designed for the individual and according to individual behaviours”, he says.

This initial concept of smart cities, however, has been discarded. “Today, we have to go further. Technology is not an end, it’s a means. We have to define the purposes and decide which technologies to use”, adds the researcher.

“Cities have an individual and collective component. It’s formed by people, organisations, companies and public services. It is, by definition, hypersystemic. A vision cantered around individual behaviours alone captures only one vision of this systemic city”, he warns.

The word smart also makes him “less comfortable”, he confides. “In an interview, an expert in smart cities said that when colour television appeared, we used to say ‘colour television’, because it came after black and white television. Today, we say television. And today, I don’t talk

about smart cities. I speak of cities. The smart is already there”.

He details. “It’s not possible to manage and think about cities without advanced technology and digitalization”, he says. However, despite the fact that smart helped “putting the technological component in the urban agenda”, for João Ferrão, after a certain point, “it become too heavy and an obstacle”. What “matters” is the “city”, a city that has to “be smart and more. Green, inclusive and more”, he stresses.

#### SAFE CITIES (CHINA), SUPERCITIES (JAPAN) AND PARTICIPATORY GOVERNANCE (EUROPE)

With a PhD in Human Geography, João Ferrão engages in cultural comparisons. “Asia, went further,” he stresses. “China’s safe cities and Japan’s super cities are completely different,” he says. In China, “it’s a security vision, of control”. In Japan, it’s based on “the efficiency of public services and the city’s relationship with people”, he compares.

“There is a difference between looking at smart cities as a top down program, developed by government entities” or as “an intelligent form of urban governance, which implies public participation, public and private actors.”, he says setting that difference.

The ethical and cultural component of new technologies is, however, “quite different” in Europe, he warns. “There is a culture of privacy, confidentiality requirements and data protection in Europe that does not exist in Asia,” he says. “The European city has to focus on the broader smart. Technologies are the same. The difference lies in the purpose”, he asserts. “No European city adopted the city agenda, in the strictest sense, to the same extent as the Asian cities. But in all of them, the use of urban digitalization, data and AI is being considered. In noise, pollution or traffic management sensors”, he says.

#### EFFICIENT CITIES WAITING FOR A POLITICAL SOLUTION

The researcher sets aside the geographical and cultural comparisons and focuses on the idea of a city lato sensu. “I am not that interested in an effective city, but rather in an efficient city. With effectiveness we achieve results, regardless of the means we use. But with efficiency we combine both. It’s the fair city”, he stresses.

“Cities are areas with all kinds of social and economic contrasts”. Therefore, João Ferrão argues, “the dimensions of efficiency, justice and sustainability should all be smart”. “Smart is not the parking sensor”, he stresses. He uses an example, “exaggerated”, he says. “Mapping poverty just like we monitor traffic. It’s about having a diagnosis that allows us to intervene using public or other policies to face the reality”, he points out.

João Ferrão wants “urban governance at the core”, in the attempt “to use and take advantage of new technologies for a more efficient and participatory governance of the city”, he notes. Without the control component that is there in other areas.

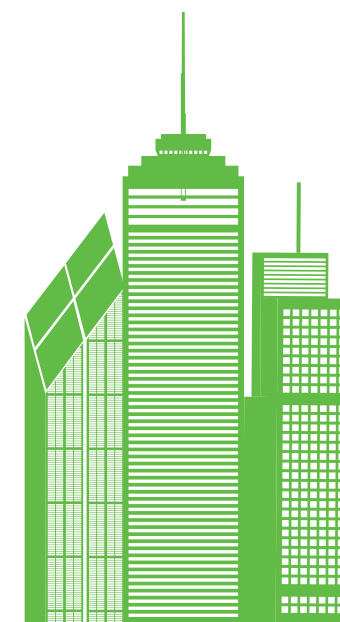
“The major difference is there when you jump from a segmented vision – when we develop something to solve a particular problem, for example, a traffic issue - to the project of a city where the possibilities provided by new technologies are used to meet these objectives”, he compares. “This is the big leap”, he says. “There will be no city without new technologies”, he concludes.

Patrícia Melo, Associate Professor at ISEG Lisbon School of Economics and Management, works on Urban and Regional Economics and Transport Economics and Geography. Looking at the challenges facing the cities, she considers that “it’s not the technological solutions” that prevent “the transition”, but “the lack of political

courage to allocate and renegotiate the space of the public thoroughfare”, she attests.

The solution has to be “political”, because the technological solution that “works” “is there already as we know”, she assures. “The problem is that in order to implement them [the technologies] successfully we need to make changes to the status quo, namely in the way we use space on the public thoroughfare. And this is a political and not a technological difficulty”, exclaims the professor at ISEG.

“There is a difference between looking at smart cities as a top down program, developed by government entities” or as “an intelligent form of urban governance, which implies public participation, public and private actors.”





### PANDEMICS. THE NEW LIFE OF THE CAR AND THE STRUGGLE FOR PUBLIC SPACE

The pandemic poses a challenge as regards designing mobility within smart cities. The fear of using public transport and aversion to sharing is pretty much there today.

"The car took on a new role as personal protective equipment, hence the importance of the public space," she says. "This was already rare and was very popular and now is scarcer. And with the distance imposed we lose space use", she regrets. Patrícia Melo thus anticipates that, in addition to the pandemic, another crisis will be there: "Riding a car again." Warning: "Worse than the fear of using public transport, is the fear that we will all be driving again. And there is also the issue of pollution and the health crisis. It's a big risk."

To reinforce her thesis, she recalls some figures. About 50% of movements in urban space covers a distance of five kilometres. "If these trips were transferred to active [pedestrian] and bicycle mode, it would be a great gain in a pandemic context as we could transfer this kind of traffic and prevent people from using the car". Naturally, she considers that the failure to consider the use of "cycling mobility valid and efficient alternative" is "lost opportunity".

Still in this context, she says that it's "important to ensure the allocation of space for public transport", through "dedicated lanes, widening the existing lanes or creating others". Asian cities are a good example of a "marriage between the type of city and public transport", she adds. "When a metro line is developed, the operators and builders themselves take on the role of property developers and develop the real estate component. In each metro station demand is generated, by design. It is good practice", she explains.

### SENSORS ON BICYCLES TO TEST POLLUTION

Perfect cities may be nothing more than a mere utopia, but Patrícia Melo expresses her idea: "[A city] that does not mistreat residents and those who visit it, in terms of pollution, and does not waste the life of people in traffic jams". In short, a city where "people have access to benefits and don't have these penalties, don't waste time and live in a healthy environment".

About 50% of movements in urban space covers a distance of five kilometres. "If these trips were transferred to active [pedestrian] and bicycle mode, it would be a great gain in a pandemic context as we could transfer this kind of traffic and prevent people from using the car".



Time and health could be used as a good example in one of the mobility actions implemented in the city of Lisbon. "Giras [shared bicycles] could have air pollution meters", she points out. "We have, in Lisbon, static points for measuring air quality, but it's a reduced coverage", she says. "If we had these sensors, we could cover the whole city and the information could be used to create algorithms for route planning, for example, according to the least polluted", she adds. "London placed sensors on pigeons, but this doesn't create the notion of where people are. Bicycles ride where people are," she concludes.

### THREE EXAMPLES OF SMART CITIES IN PORTUGAL

Smart cities are a well-known concept and applied in several Portuguese municipalities. Aveiro, Viseu and Cascais are three examples of cities that anticipate the future.

The [Aveiro STEAM City](#) project wants to become the first step in creating a smart city, with a knowledge-based economy. STEAM (in Portuguese, Science, Technology, Engineering, Art and Mathematics) covers the installation of Techlabs in schools, development of an urban data platform and a live laboratory with fibre infrastructure, sensors and 5G connectivity in the city. In the field of energy, for example, it is worth mentioning the bet on electric vehicles such as the case of the traditional boats known as moliceiros and the progressive replacement of current engines by electric engines on these boats

Viseu, coordinator of the Smart Cities Working Group of the Association of Portuguese Municipalities, in addition to innovative water treatment solutions, has the first unmanned electric public transport in Portugal - the "Viriato" -, integrated in the - [MUV](#).

In Cascais, the concept is twofold. MobiCascais [MobiCascais](#), an integrated mobility system from Cascais, which created a set of mobility packages focused on the integration of services, including electrical and soft mobility solutions. And [City Points Cascais](#), an application based on gamification, which rewards citizens' good practices.





It is evident that the State cannot throw money on top of the problems. If you do, the money disappears and the problems remain.

*"If we have a country with more educated and qualified people, everything changes"*

António Costa Silva designed a plan for the country containing a number of proposals. He looks at the measures presented in the "Strategic Vision for the Economic Recovery Plan for Portugal 2020-2030" and, if I had to choose only one, the option would fall on Education. He goes further in this. He wants to bet on Health, Infrastructure and design smart cities, establish connections to the Hinterland. He would like to see more cooperation between the public and private sectors and change the Public Administration. He believes that Portugal can become Europe's laboratory and argues that energy efficiency, digital technologies and the 5G era can help change the Portuguese economy. He asks for a great political consensus around the Recovery and Resilience Plan that the Government submitted in Brussels and guarantees that the State would act, at this stage, as a protective network for companies.

**DID THE PANDEMIC TAKE US INTO A NEW ERA? YOU SAY THAT THE STATE IS NO LONGER THE BAD GUY AND THAT THERE MUST BE A SHARING RELATIONSHIP BETWEEN THE STATE AND THE ECONOMY. WHAT COULD THE ROLE OF THE STATE BE? INVESTOR? DOES IT MEAN HAVING MORE STATE UNTIL THE ECONOMY RECOVERS?**

It was an exogenous brutal shock that led to this health crisis and which turned into a deep social and economic crisis. And when such shocks occur the market or the usual system cannot defend us. This crisis reassessed the role of the State and public services, such as the National Health Service (SNS). State intervention involves strengthening these public services and preparing better to overcome other pandemics, other crises, such as the climate or environmental crisis. On the other hand, we should pay attention to the economy. The State should never replace companies, but at this point

it could become a protection network for those that are economically viable. The State must do everything to keep them at least afloat, because if it lets them go bankrupt, it will be much more difficult to recover.

**SHOULDN'T WE STAND FOR A LESS MANAGERIAL ROLE? IF THE STATE TAKES CARE OF THE ECONOMY, MIGHT INNOVATION AND COMPETITIVENESS NOT DISAPPEAR?**

We could advocate, like the ultraliberals, business as usual and allow the market to do its work. What is going to happen? The country will collapse. Whoever defended the privatization of total public services, the minimum State, has a misconception which will be defeated by history. We have to have a virtuous combination between the state and the market. The market must work as much as possible and the State as much as necessary. Otherwise, people and companies will suffer. It is not an interventionist role of the state. It's the State acting as a protective network for the economy when it is in danger of collapsing. When companies recover, the state will perform its traditional role of regulator. What else can it do? Allow viable businesses go bankrupt?

**DO YOU MEAN SUPPORT TO COMPANIES, AID THROUGH LIQUIDITY...?**

President Obama defended State intervention in the previous crisis. And this helped General Motors. A few years later, the State left and recovered dividends. If we don't do this some companies, some very important companies, may disappear. And we will have neither economy nor companies. There are a number of studies by Banco de Portugal on Portuguese companies. Whoever was profitable in 2018 and 2019, and was penalised because of the pandemic should be assisted surgically. State cannot obviously throw money on top of the problems. If you do this the money disappears and the problems remain. Preserving the country's productive capacity is important.

**YOU ARGUE THAT THE ECONOMY SHOULD BE LOOKED AT AS CLUSTERS - HEALTH OR DEFENCE BIOTECHNOLOGIES AND AERONAUTICAL ENGINEERING -, BUT ALSO AS A VALUE CHAIN IN SOME SECTORS, WITH METAL MECHANICS. COULD YOU SPECIFY?**

Clusters are currently no longer enough. We have to link clusters to the analysis of value chains. In the Portuguese economy we have some areas and services with high added value that still don't weigh heavily on exports, but should weigh more and more. Between 2012 and 2017, the Portuguese economy came out with 35 new products. It was the 12th in the world. This should make us think. We have functional skills and competences. In fact the

current crisis has shown this with the joint response of the scientific system and companies in the manufacturing of fans and using three-dimensional printing. Where did we fail? In institutional competences. Public policies must be intelligent, persistent and of greater continuity. We have failed in management, especially in small and medium-sized enterprises (SMEs).

**AND WHAT CAN WE DO?**

We have to bet on qualification. The programs implemented by the State to support companies must go hand in hand with an update of the management of the companies themselves. And then there is the marketing of products, their internationalization and the analysis of the value chain itself. We pay little attention to this. As regards the internationalization of our products, my question is how we can move up the value chain. And inside the value chain, how to reduce the imported content of our exports and how can replace imports with domestic products.

**HOW TO REPLACE IMPORTS?**

Industry, metalworking, heavy and light, are very important. Sometimes the imported content of our exports is too high. And without changing that, the country will hardly have significant economic growth. We have the basic conditions, especially functional chains, but if we look at the value chain and analyse the capacity to replace some imports and reduce the imported content of our exports, reducing it significantly and increasing the volume of products with high added value, the Portuguese economy may take a leap.

**WHAT PRODUCTS DO YOU MEAN?**

It is curious to see the matrix of our exports. We have light and heavy metal-mechanics, machines, maintenance, engines, radars and others like the cutting edge science in the area of Health Sciences. Portugal could be the "factory of Europe", in terms of medicines and medical equipment. We have leading companies, qualified research, niche markets. Now, we have to be able to produce the active agents that are the basis of the drugs, look at the old molecules, repurpose some drugs that are already there but which are not produced in the country. With the requalification of local logistics chains, we can reduce the high dependence on the outside in these critical areas, just like we have seen in the current crisis. We can take advantage of this reorganization of the logistics chains to become a factory for medicines and medical equipment in Europe.



Measures related to the qualification of the population [are a priority]. Education. Investing in Science and Technology. And everything that relates to the Healthcare sector. NHS management, looking at all areas around it, the private and social sector, companies and, in particular, technology and innovation and building solutions from there. The economy is that also.

**BUT WILL FOREIGN DIRECT INVESTMENT (FDI) NOT BE NECESSARY IN THESE AREAS? THE RECOVERY PLAN, HOWEVER, MAKES LITTLE MENTION OF THIS TOPIC.**

It is there. I think people simplify things a lot when they look at documents. Above all, certain national elites are not interested in the country going to great lengths and seem rather keen on maintaining the narrative of writer Eça de Queiroz who once referred to the country and its people as being a riffraff. The country is not a riffraff and can go to great lengths. There are four thousand SMEs that, in 2019, reported investment in Innovation and Technological Development (IDT). These SMEs must be studied, x-rayed, they are room to capture FDI. In 2018 and 2019, investment in FDI in the private sector was higher than public investment. The country invests around 1.4% of GDP in innovation and will invest up to 3% in the next ten years, as established by the Government. And that's the way to go. There are many people in this country who want to fight against this kind of fatalism that some Portuguese elites like to foster and which is one of the causes of the country's backwardness.

**BUT WHERE TO START? WHAT PROPOSALS FOR THE NEAR FUTURE?**

Measures related to the qualification of the population. Education. Investing in Science and Technology. And everything that has to do with the Healthcare sector. NHS management, looking at all areas around it, the private and social sector, companies and, in particular, technology and innovation and building solutions from there. The economy is that also.

**ON THE ONE HAND, WE THINK ALMOST ALWAYS IN THE SHORT TERM AND NEVER IN THE LONG TERM. ON THE OTHER HAND, WE HAVE A TRADITION OF MAKING BIG PLANS THAT NEVER COME OUT OF THE DRAWER. THIS "STRATEGIC VISION" DOCUMENT NOW SUBMITTED IS NOT MEANT TO STAY IN THE DRAWER, RIGHT?**

I don't know if it will stay in the drawer. If so, the country will miss a crucial opportunity to change. There has to be a large political consensus around the Plan. In the strategic axes the country has to bet on, convergence is great. Everything I mentioned, the qualification of the population, investment in Science and Technology and in healthcare and other public services, reindustrialization of the country and the change of our productive structure to move up the value chain, everything that has to do with energy efficiency, decarbonisation...there are many areas of convergence and including a very important area: the welfare state. We have to reinforce these structures. We have over one million people living in poverty. These numbers will grow. If attention is not paid to the social protection of the most vulnerable, we will have very difficult situations in the future.

**THE RAILROAD, A COLOSSAL INVESTMENT, WAS ALREADY IN THE DRAWER IN 1999 AND IS NOW RETURNING, JUST LIKE A NEW AIRPORT.**

These are the plans that was left in the drawer that I mentioned. The country entered the 21st century and forgot about the economy in the last century. Portugal's economic growth, from 2000 to 2015, was 0.05% per year. What a shame. This penalizes, above all, the new generations. The country will get bogged down in this wave if it fails to translate ideas into projects and if doesn't get rid of this fatalism. Don't count me in on that.

**THE NEED FOR INVESTMENT IN INFRASTRUCTURE IS HIGHLIGHTED IN THE DOCUMENT. CONSIDERING THAT THE INSURANCE SECTOR IS THE LARGEST INSTITUTIONAL INVESTOR IN PORTUGAL - WITH AN ASSET PORTFOLIO OF € 55 BILLION - DON'T YOU THINK THAT THIS SECTOR**

**COULD/SHOULD BE ENCOURAGED TO PLAY A RELEVANT ROLE IN THIS AREA?**

ÉIt is, in fact, a great opportunity for cooperation between the State and the private sector. I am convinced that, in the 21st century, the connectivity paradigm will triumph. If the country increases its connectivity - and that is why I defend the electric railway network in order to increase connectivity in the Iberian and European space -, if we achieve this, we may change the whole paradigm that exists in the inner areas of the country, in the most abandoned areas that could take on a central role in the Iberian hinterland. If you look at what's going on in cities like Castelo Branco, Évora, and Bragança where we have agricultural technology centres, universities, polytechnic institutes there, places where we have biomedical science centres like Covilhã and Castelo Branco, in Fundão where we have a kind of microcosms of digital technologies. We can use this as the key to the development of this century: geo-economics, the creation of integrated economic spaces based on local productive values and taking this to the other side of the border and to Europe. Without forgetting other parts of the world, across the sea. And in this particular field the country has important conditions. It has Sines, the largest deep-water port in Europe. It has Leixões and other ports. A port hub connected to international logistics networks and platforms. We can do both at the same time: bet on the continental connection and with Europe and the maritime connection with the World.

We have the NHS, the private health sector, the social sector, which is very important in supporting the elderly, as it became clear during the pandemic. That is why I advocate a reconfiguration of all these services.

**COMBINING GEO-ECONOMICS INLAND WITH THE SEA?**

Exactly, contrary to what the history of Portugal, in many cycles, did in a dichotomous and separate way. Combined, we may have a way to leverage the country for development. The territory is disparate, with many asymmetries. I advocate looking at the territory as a whole and drawing a map of the vulnerabilities and resilience's. There are very vulnerable areas. If you go to the Alentejo or the Algarve you see the effects of climate change and desertification advancing. For this reason, I defend that Beja or Martil should become an Iberian capital in the fight against desertification. We should mobilize European Funds, work with the countries of North Africa and the Mediterranean to develop processes that allow changing the model of occupation of the territory, the landscapes, requalifying them, and see which mosaic we have to build in the areas of forest and agriculture. We have fantastic cultures like cork oak or holm oak. A ton of cork captures 73 tons of CO2. This is a means to decarbonise the economy.

**LET'S TALK ABOUT HEALTH. SHOULD THE PUBLIC HEALTH SERVICE CONTINUE AS THE EXCLUSIVE TO PUBLIC PROVIDER? OR COULD THE PRIVATE SECTOR - WHERE INSURANCE COMPANIES FIT - AND THE SOCIAL SECTOR, BE PART OF THIS PROVISION NETWORK, AS IS THE CASE IN MOST EUROPEAN COUNTRIES AND ALSO IN PORTUGAL, ALBEIT ON A SMALLER SCALE (PPPS AND CONCESSIONED HOSPITALS, FOR EXAMPLE)?**

These sectors complement each other. We have the NHS, the private health sector and the social sector, which is very important in supporting the elderly, as it became clear during the pandemic. That is why I advocate a reconfiguration of all these services. Identifying what failed and worked. The NHS is one of the biggest achievements of democracy. Now, it has limits, it was subject to pressure, as a result of the budget cuts and the lack of investment in recent years. Hence, at this point, and now that Europe is focusing more on this sector, European funds should be used as best as we can to benefit of the NHS. And the social and private sectors should articulate efforts in order to be prepared for the next diseases.

**YOU SAY KNOWLEDGE AND ENERGY ARE CRUCIAL. CAN YOU SAY WHERE PORTUGAL IS MOST ADVANCED AND WHICH AREAS SHOULD IT BET ON?**

Knowledge is key. It's the oil of this century. A McKinsey study shows that the new wave of digital technologies can generate 10 times greater impact on the economy than the Industrial Revolution. The Internet of Things, Big Data and Artificial Intelligence will change industrial processes,

If we don't change the paradigm of cities we will not solve the climate or environmental issue. And we will only solve it with the adoption of the smart cities paradigm.

work and business models. We can be more efficient and solve productivity problems, increasing it, betting on these technologies. And connect everything to the 5G network.

#### WHAT WILL 5G BRING?

The connectivity paradigm will change just like the cloud changed the computing paradigm. Technologies can have a very large impact on the total output of factors of production. I link that to energy efficiency, another important aspect. We spend 30% more energy than we need, a huge waste. Studies show that the Portuguese economy has an umbilical relationship with productivity and energy efficiency. These three areas - energy efficiency, digital technologies and 5G - can help reshape many paradigms and production processes and boost the productivity of the Portuguese economy.

#### WHERE DO SMART CITIES COME IN, IN THE METROPOLITAN AREAS OF LISBON AND PORTO?

I advocate smart cities for the two macro-regions and also for intermediate cities. If you look at cities, on the planet as a whole, they take up only 2% of the area. But 50% of the population lives in these areas. It's here that 75% of energy is consumed and more than 80% of CO2 emissions are generated. If we don't change the paradigm of cities, we will not solve the climate or environmental issue. And we will only solve it with the adoption of the smart cities paradigm.

#### AND WHAT DOES THAT BET MEAN?

Betting on sensors, data, Artificial Intelligence, machines that learn to process information, transform it into knowledge and use it to build intelligent networks for the flow of people and vehicles, energy, sewage or water networks and waste. It means reshaping the way how cities operate. I link this to the issue of autonomous cars. Machines will do better than us. And this theme is closely linked to pressing issues that the youth privileges, the shared economy, marked by having access to things, but not being the owner of those things. With access to a smart fleet of unmanned cars, via card or mobile phone, the paradigm of cities can indeed change. We can free the city more, make it less polluted and more cohesive.

#### THIS EUROPEAN BAZOOKA FOR PORTUGAL IS A LOT OF MONEY. WHAT CRITERIA SHOULD THE PLAN MEET? ISN'T THERE A RISK THAT THE "I'S" THAT YOU HAVE BEEN TALKING ABOUT WILL COME OUT?

We have to change the culture of Public Administration. It has areas of excellence and others that are less good. But it has a very bureaucratic and opinion-oriented culture. In order to approve a project a company goes through six or seven public offices and each one issues its opinion. We lose time, energy and talent. It is clear that we must respect the law, but we need a more agile and effective Public Administration. Considering what we have and need, and with the help of European Funds, we can, at most, apply two and a half thousand million euros a year to this. And we will receive two to three times more than these amounts. If we keep the same bureaucratic practices, we hit our heads against the wall.

#### AND WHAT WILL BE THE DISTRIBUTION CRITERIA?

I defend a scholarship where companies must compete and present their

We have to change the culture of Public Administration. It has areas of excellence and others that are less good. But it has a very bureaucratic and opinion-oriented culture.

projects. There must be a jury and a kind of a one stop shop for businesses. A unique interlocutor of companies with the State to streamline processes. In the process of application to European funds there has to be body to analyse and decide on the projects to be granted aid. And then there will have to be a public Portal where the Government will report and explain the criteria and the distribution of such aid packages. And finally, allowing public scrutiny as to how the funds are applied and what the execution rate is. Democracy is a conflictual regime, but it rests on trust between rulers and ruled. Everything related to both transparency and accountability only increases that trust.

#### UNEMPLOYMENT IS A CHALLENGE THAT WE FACE IN THE IMMEDIATE FUTURE. WHAT DOES THE PLAN SAY ABOUT JOB PROMOTION?

The program supports some job creation programs. They mainly speak of unemployment created via the development and application of new technologies. It's there: requalification, social protection schemes. But let us not forget this: the essential for the country to change is people. We spend our lives saying that we are in a demographic downturn and that the birth rate is low. Quite true. But, we must not forget the most disadvantaged population that may lose their jobs.

Betting on the requalification of these people, bringing them back, making sure they join professional training centres may, in the future, become very interesting for the economy, in all sectors. And these sectors may grow.

#### WHAT'S MISSING THEN? POLITICAL CONSENSUS?

Political consensus and the ability to reinvent our mindset. We are extraordinary in abnormal times, we have responded to the pandemic and solidarity is there, but we are very banal in normal times. When this is over, the country can return to its usual dealings. If we don't reinvent the mindset, if we don't focus on the need to act, if we don't take the opportunity and exceed ourselves by overcoming structural constraints, we will go nowhere.

#### IF YOU COULD SINGLE OUT ONE PRIORITY, WHICH ONE WOULD IT BE?

Education and qualification of people. If we have a country with more educated and qualified people, everything changes. Note that, despite all the advances in Portuguese democracy and all investments in education, science and technology, even today, we are the worst country in the 27 countries in the European Union in terms of the working population that completes Secondary Education. If we manage to be part of the European average in ten years, thus could be a huge advance for Portugal.

But, we must not forget the most disadvantaged population who may lose their jobs. Betting on the requalification of these people, bringing them back, making sure they join professional training centres may, in the future, become very interesting for the economy, in all other sectors. And these sectors may grow.





## BOOK:

### *“Talvez uma App - Maybe an App” recounts the path of an idea and the future of digitalization in the insurance sector*



A failed business uncovered a good idea for a startup. “Maybe an App”, the new book from the APS collection on financial literacy, addresses the issue of job alternatives for young people in the insurance sector

A surprise party convened via SMS and the disappointment of a young man after sending a resume to an insurance company are the starting point for another book of the collection “Seguros e Cidadania - Insurance and Citizenship”, by Ana Maria Magalhães and Isabel Alçada.

The 116 page book “Maybe an App” engages in a journey

through human relations between Mário, Manuel, Manel Ricardo, Margarida, Manuela, Madalena, Guida, Zilda and other collateral characters. Portraying the existing bonds of friendship and family, highlighting the existing support and solidarity networks, the words of the two Portuguese authors guide the reader through the natural dilemmas and uncertainties experienced by young university students when looking for their first job.

Against the backdrop of the digital age and the digital applications (apps) developed and to be developed, the story, brushed with real life situations and daily life problems starts with an idea born in the digital world to be applied in a specific branch and activity and linked to music.

Between advances and setbacks, and a failed business in-between, the narrative takes us to the theft of a car and of another object, forcing one of the characters to reconnect with the insurance company. The very same insurance company that didn't respond positively when he approached it to find a job and which now shows its availability to open the window of opportunity. All of this because of an app.

By teaching a lesson - that an idea born to meet a specific

need can be used in other areas -, the new book by Ana Maria Magalhães and Isabel Alçada, enters the field of Financial Education. Thus, it describes briefly what are the necessary steps to set up a company, where to go to establish it, the name creation or even the need for a logo design. And, above all, shows that the digital path and ideas as to the usefulness of apps in the insurance industry can become as a professional path for young people in the 21st century.

“Maybe an App” was launched on December 9 through a webinar, with the participation of João Costa, Joint State Secretary for Education, broadcast from the Memory of Insurance space, at the APS headquarters, in Lisbon.

The new book is the fifth in the “Insurance and Citizenship” collection. Aimed at an audience of children and adolescents, the works in this APS collection illustrate problematic situations that arise in people's lives, prompting reflection and dialogue on various issues that young people and families may face and helping to clarify the role of insurance in the context of financial education. These books are useful resource that can be used in the classroom when teaching this discipline and APS established a protocol with the National Reading Plan 2027 (PNL2027) for the promotion of financial literacy actions in the school context and related to the insurance activity. The actions are directed to basic and secondary education in the school system.

<https://talvezumaapp.sapo.pt>

Aimed at a young audience, the books in the “Insurance and Citizenship” collection illustrate problematic situations that arise in people's lives and focus on financial literacy issues, helping to clarify the role of insurance. With these narratives they invite reflection and debate around issues that young people and their families may face, within the scope of Education for Citizenship. They are, therefore, an especially suitable resource to be used in the classroom in this area, aimed at students in the 3rd cycle of Basic Education (but equally suited to students in Secondary Education).



- / *Maybe an App*
- / *High Alert + special booklet on global warming and fire risk*
- / *Digital Trap*
- / *Accidental Encounter*
- / *An Expert in Search for Truth*

Additionally, APS has been promoting financial education actions with a younger audience, having published two books for students in the 1st and 2nd cycles of Basic Education, written also by Ana Maria Magalhães and Isabel Alçada.

- / *Catastrophes and Major Disasters*
- / *The Risk Lurks, it's better to play it safe*





MANAGEMENT INDICATORS - OUTPUT RESULTING FROM DIRECT INSURANCE						
GROSS WRITTEN PREMIUMS SINCE JANUARY 2020	In thousand Euros		Year-on-year variation		Outuput structure	
	2019.09	2020.09	Nominal	Real	2019.09	2020.09
 LIFE	5 274 573	2 992 714	-43,3%	-43,3%	57,9%	42,8%
Risk	738 707	756 671	2,4%	2,4%	8,1%	10,8%
Capitalisation Products	1 982 631	1 441 598	-27,3%	-27,3%	21,8%	20,6%
Retirement Savings Plans (RSP)	2 548 685	794 445	-68,8%	-68,8%	28,0%	11,4%
Capital Redemption Operations	4 550	0	-100,0%	-100,0%	0,0%	0,0%
 NON LIFE	3 828 965	3 991 781	4,3%	4,2%	42,1%	57,2%
Accidents and Health	1 473 277	1 547 969	5,1%	5,0%	16,2%	22,2%
Workers compensation	676 472	705 085	4,2%	4,2%	7,4%	10,1%
Health	673 256	731 640	8,7%	8,6%	7,4%	10,5%
Fire and other damage in property	677 159	714 393	5,5%	5,5%	7,4%	10,2%
Households and Condominiums	406 018	427 827	5,4%	5,3%	4,5%	6,1%
Commerce and Industry	194 934	207 486	6,4%	6,4%	2,1%	3,0%
Motor	1 464 299	1 509 726	3,1%	3,1%	16,1%	21,6%
Transportation (MAT)	39 809	39 934	0,3%	0,3%	0,4%	0,6%
General Liability	92 471	95 299	3,1%	3,0%	1,0%	1,4%
Miscellaneous	81 950	84 460	3,1%	3,0%	0,9%	1,2%
TOTAL	9 103 538	6 984 496	-23,3%	-23,3%	100,0%	100,0%

U: Thousand euros



MORE INTERNATIONAL LITIGATION AND MAJOR RISKS AMONG SOME OF CIMPAS GOALS

Duarte Gorjão Henriques wants to extend CIMPAS competences to Bodily Injury resulting from road accidents and Occupational Accidents. During his mandate, he would also like to see major international disputes and disputes related to high-risk insurance subject to CIMPAS arbitration.

Duarte Gorjão Henriques is the chairman of the managing board of the Centre for Information, Mediation and Arbitration of Insurance (CIMPAS) since August, “after 25 years working in legal proceedings related to insurance”. He starts comparing the common courts and the courts of arbitration, like this in the insurance activity, which he presides over: “The big advantage in resorting to CIMPAS is to allow solving the dispute within a period of six months up to one year. It’s fast. And the costs are much lower”, he assures, comparing this with the lawsuits being decided in court, “which typically take two to three years or more”.

For Gorjão Henriques, the “issue of time is important for both the claimant and the insurance company” considering that provisions are “one of the major headaches

for companies”, he anticipates. “The duration and outcome of a claim has a great impact on the ascertainment of these provisions”, he reinforces.

As regards his mandate he concedes that one of the main challenges is to provide CIMPAS with the means to “arbitrate disputes arising from Bodily Harm”, he claims. “In my opinion I don’t know why these cases cannot be dealt by arbitrators and these process cannot be decided by an arbitrator,” he reiterates. The president of the insurance industry’s arbitration and mediation centre adds that he sees no impediment to “joining the body of arbitrators, a body of physicians who can assess bodily harm” and thus “contribute to improving procedures and making them more expeditious”, contrary to the excessive delays currently witnessed as regards this kind of lawsuits, which are highly dependent on the capacity of physicians at the National Institute of Legal Medicine and Forensic Sciences to respond. “

The same could occur in relation to “processes resulting from Accidents at Work, with a specialised medical technical staff. I don’t see why it can’t be submitted in the future”, he adds, even though the current legislation imposes the duty to take this claims to the labour courts.

In addition to these objectives, he stresses his wish to develop other areas: “More litigation with an international impact”, he announces. And a more “ambitious” will pertains to making CIMPAS a centre for conflict resolution as regards “claims involving major risks and major works”, although, in the particular case, “the costume had to be fitted”, he warns, allowing “the parties to appoint their arbitrators and thus having a more robust and more knowledgeable list of arbitrators”, he describes. “I would be happy



if these projects would be ongoing at the end of my mandate”, he declares. In the genesis of the creation of CIM-PAS, created by then Minister of Justice António Costa, it was intended “to respond to the volume of lawsuits related to the insurance industry”. And it has been such a successful experience that there are currently those who propose that it should become a dispute settlement centre for finan-

cial services in general. Regarding this possible evolution, he admits that he does not have a “definitive answer”. Duarte Gorjão Henriques, despite acknowledging that it is “an interesting challenge”, believes that the “insurance industry faces problems that are different from those in the banking industry”. This path “would require the creation of a different, autonomous mechanism and structure, different

administrative centres and bodies of arbitrators. It also implies an institutional change”, he explains. “If the idea is to have a centre that combines the two activities, I would not say no, but I think it is premature”, he concludes.



GREEN CARD LOSES COLOUR AND WANTS TO BECOME MORE ENVIRONMENTALLY FRIENDLY

Vignette can now be printed in black and white. Sector wants total dematerialization.

The International Motor Insurance Certificate, usually referred to as a green card, could be printed on a white sheet since July 1. But as of October, the detachable badge proving the existence of insurance was also issued in black and white, as stated in an order published on the government journal Diário da República. “Following this resolution, it is considered appropriate to update the said ordinance, by eliminating the colour requirement the badge must be issued with”, reads the document that came into

force on October 9, 2020. This is also the case where there is exemption from insurance obligation.

The vignette loses its colour, but not its visibility. The “badges provided for in the previous articles are affixed in the inside of the vehicle in the lower or upper right corner of the windshield or, failing this, in another very visible place”, adds the ordinance.

The APS welcomed the Government's decision to eliminate the colour requirement in which the auto insurance inspection badge should be issued. This measure was one of the recommendations presented by APS to the Government and the regulator, within the scope of a set of legislative and regulatory measures aimed at ensuring the simplification and flexibility of certain procedures, for the benefit of insurance customers and beneficiaries. This makes it easier to send green cards electronically, avoiding the inconvenience caused by loss or delays in delivery.

NEXT STEP: DEMATERIALIZATION

“This measure will have a set of positive impacts both in terms of the activity of companies in the sector, and for the policyholder, as it will result in greater speed of processes, making them more dynamic, easy and accessible and more environmentally friendly”, José Galamba de Oliveira, president of APS, stressed.

The association hopes that this will be just “a first step” towards “full dematerialization of the green card”. A card that should be green, yes, but because it is “environmentally friendly”, he added. “The insurance sector has 8 million vehicles currently insured and issues around 11.4 million green cards every year, hence it is essential to move towards dematerialisation”, Galamba de Oliveira concluded.

PORTUGUESE ARE, AMONG EUROPEANS, THOSE WHO SAVE LESS FOR RETIREMENT

Insurance Europe study, released by APS in a webinar on “Demography, Pensions and Retirement Savings”, says that more than 50% of the Portuguese don't have the financial capacity to save for retirement. However, 35% want to build a nest egg.

More than 53% of the Portuguese say they are willing to start saving for retirement, although they don't have the financial means to do so - a figure that contrasts with the European average, at 42%. These data appear in the conclusions of a survey of 10,000 citizens, from ten European countries, including Germany, Poland, Luxembourg, France, Austria, Hungary, Switzerland, Italy, Spain and Portugal, leader of this ranking.

These figures were reported in a webinar by the Portuguese Insurance Association (APS), under the motto “Demography, Pensions and Retirement Savings”. As part of the World Investor Week 2020, promoted by the Securities Market Commission, this event served to promote a broad reflection on the results of the European pension study, carried out by Insurance Europe, and to promote the debate on the saving capacity for retirement at national level, in a pandemic context.

According to this European survey, in addition to the fact that 53% of the Portuguese say they don't have the financial capacity to save, it also shows that 45% are not making any additional savings for retirement, a percentage also above the average (which is 43%) of the ten countries concerned. It is worth mentioning that 35% of the Portuguese respondents say they intend to save for retirement in the near future - a high percentage when compared to the European average, which stands at 20% of such intentions. Among other conclusions presented in the Insurance Euro-

pe study, it is concluded that 76% of Portuguese respondents “prefer to receive at least the total amount invested and possibly a little more”, in line with the European scenario (a percentage set at 73%).

Still according to the study, only 36% of the Portuguese say they are available “to pay for protection, if they live longer than initially expected”. An indicator that places Portugal at the bottom of the table among the countries analysed in the document, with 43% being the European average.

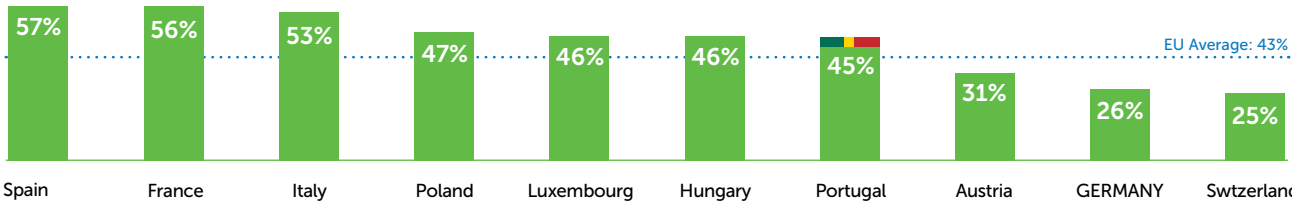
For José Galamba de Oliveira, president of APS, “the data, now reported, show that there is an important appetite of the Portuguese to save for retirement”. Regarding the results of the Insurance Europe study on Pensions and Retirements for Portugal, this official added that it is necessary to “reflect” and “point out directions” to “achieve financial security and a better quality of life for seniority”.

The initiative, “Demography, Pensions and Retirement Savings”, promoted by APS and moderated by Francisco Botelho, a journalist at ECO Seguros, included the intervention of Francisco Assis (President of the Economic and Social Council), Margot Jilet Vesentini (Policy Advisor Insurance Europe Pensions) and speakers such as Maria João Valente Rosa (Professor in the Department of Sociology at Universidade Nova de Lisboa), Fernando Alexandre (Professor of Economics at University of Minho) and Nelson Machado (CEO Occidental and Ageas Vida e Pensões and President of Life Technical Commission - APS).

To access the presentation of the Insurance Europe study, as well as the recording of the webinar promoted by APS, <https://www.apseguradores.pt/pt/eventos/2020/articleid/177/webinar-aps-quot-demografia-pensões-e-poupança-para-a-reforma-quot-06-out-2020-11h00-12h30>

1. THE SAVINGS GAP FOR RETIREMENT

The percentage of people who don't save in Portugal is very close to the European average





EXTENDED COVID-19 FUND

In July, insurance companies operating in Portugal decided to expand the scope of situations covered by the Solidarity Fund, which was allocated EUR 1.5 million and is managed through APS.

In addition to the compensation due to family members of professionals in previously established sectors who got COVID-19 it was decided to extend the support of the Fund to people who, as part of the list of professions and sectors defined when the Fund was established, work on a voluntary basis and got COVID-19.

Recently, insurance companies decided to extend the time frame of the Solidarity Fund, from the end of 2020 to June 30, 2021.



MOTOR GUARANTEE FUND CELEBRATED 40 YEARS

The Motor Guarantee Fund (FGA) celebrated 40 years of existence, an occasion celebrated on September 25 with the conference "Motor Guarantee Fund: 40 years at the service of the community". Its mission is, among others, "the protection of victims of road accidents that would otherwise not be protected, ensuring all necessary hospital assistance, recovery, fair compensation in economic terms and the future damage to the major disabilities", as underlined in a statement by the Insurance and Pension Funds Supervisory Authority (ASF), the entity responsible for managing the MGF.

Since this mechanism came into effect, each of the compensated victims received an average of around EUR 7,000. In total, 13,000 victims were compensated, e.g. victims of bodily harm and 50,000 drivers (material damage). The Fund also paid close to €433 million in damages to injured parties following car accidents where the culprit had no valid insurance. Finally, on average, each year, the Motor Guarantee Fund pays €10.8 million for damages, according to the data released on this date.



SALE OF POPULAR SEGUROS APPROVED

Banco Santander sold 50.01% of Popular Seguros to Mapfre, and the insurance company changed its name to Mapfre Santander Portugal – Companhia de Seguros. The remaining 49.99% remains with Santander Totta Seguros de Vida.

The operation was approved by the Insurance and Pension Funds Supervisory Authority (ASF) and allows the establishment of a partnership in Portugal which will also sell and distribute Non-Life products. The partnership also involved the acquisition, by Mapfre Portugal, of 100% of a life insurance run-off portfolio, held by Santander Totta Seguros.

PORTUGUESE-SPEAKING SUPERVISORS LINKED TO LISBON

The Association of Lusophone Insurance Supervisors (ASEL), held, in October, the XXIV ASEL International Conference.

"Impact of cyber risks on the insurance sector" and "Disaster risks/pandemic COVID-19" were the main topics addressed.

The event which brought together insurance supervision from Brazil, Angola, Mozambique, São Tomé and Príncipe

MAIN EVENTS - JUN-NOV 2020

06/06/20	Resolution of the Council of Ministers no. 41/2020, of 6 June - approves the Economic and Social Stabilization Program.
09/07/20	COVID-19 - Solidarity Fund of the insurance sector: Insurance companies expand the scope for the attribution of compensations.
31/08/20	Law No. 58/2020, of 31 August - Transposes Directive (EU) 2018/843 of the European Parliament and of the Council, of 30 May 2018, amending Directive (EU) 2015/849 on the prevention of use of the financial system for the purpose of money laundering or terrorist financing and Directive (EU) 2018/1673 of the European Parliament and of the Council of 23 October 2018 on fighting money laundering through criminal law, amending a number of laws.
22/09/20	17th General Meeting and XXIV ASEL Conference.
25/09/20	The 40th anniversary of the Car Guarantee Fund was celebrated.
29/09/20	Decree-Law no. 78-A / 2020, of 29 September - also amends Decree-Law no. 20 -F / 2020, of 12 May, which establishes an exceptional and temporary regime for insurance contracts, establishing that it will remain in effect until March 31, 2021, without prejudice to the period of production of the contractual effects that result from the application of some precepts. In this regard, the insurers are also required to disclose the measures.
06/10/20	European Pensions Study - More than half of Portuguese people cannot save for retirement.
06/10/20	Merger of Generali - Companhia de Seguros, SA and Generali Vida - Companhia de Seguros, SA into Seguradoras Unidas, SA is authorized.
08/10/20	Ordinance 234/2020, of 8 October - establishes the characteristics of the signs relating to the mandatory insurance contract and the exemption from the insurance obligation, provided for in Decree-Law no. 291/2007, of 21 August.
09/10/20	Insurance sector welcomes black and white badge.
14/10/20	Approval of the change in the Shareholding Structure of Popular Seguros - Companhia de Seguros, SA following the acquisition, by Mapfre Seguros Gerais, SA, of a direct qualified shareholding corresponding to 50.01% of the shares representing the share capital and voting rights of Popular Seguros - Companhia de Seguros, SA whereas Santander Totta Seguros - Companhia de Seguros de Vida, SA hold the remaining share capital.
15/10/20	Presentation to the European Commission of the Recovery and Resilience Plan of Portugal.
26/10/20	Beginning of Financial Literacy Week 2020.





## COVID-19: THE STRANGE YEAR OF 2020. SECOND PART OF THE CHRONOLOGY ON THE VIRUS.

Continuing the chronology published in the last edition, APS continues the chronological history of a virus that still has no cure. November 17 marks one year since the first patient was diagnosed with COVID-19 in Wuhan, China. The final leg of this "strange" year of 2020 is marked by advances in the discovery of a vaccine.

### 29 MAY

Council of Ministers eased measures and approved the end of the "civic duty of confinement", starting on June 1.

### 31 MAY

Prime Minister António Costa invited António Costa Silva, manager of the oil company Partex, to "coordinate the preparation of the Economic Recovery Program".

### 04 JUNE

Government approved the Economic and Social Stabilization Program (PEES).

### 10 JUNE

The Day of Portugal, Camões and the Portuguese Communities is celebrated at the Jerónimos Monastery, in Lisbon, with only two speakers and six guests.

### 13 JUNE

Azores in a state of public calamity. Measure in force until July 1st covered all islands with flight connections (São Miguel, Terceira, Pico, Faial and Santa Maria).

### 15 JUNE

End of special restrictions imposed in the Metropolitan Area of Lisbon (AML) within the scope of the third phase of lockdown easing. Opening of shopping centres and gatherings of up to 20 people are allowed as of this date.

### 16 JUNE

The General Directorate of Health ensured that all conditions were met in Portugal to host the final phase of the football Champions League. Exceptional aid package to respond to COVID-19 covered then 1.2 million people and 144 thousand companies and € 778 million euros were paid until this date, a statement by the Minister of Labour, Solidarity and Social Security read.

### 18 JUNE

Approval of the extension of simplified layoff until the end of July and new aid package for companies until the end of the year.

### 23 JUNE

Specific lockdown measures for the Lisbon Metropolitan Area took effect. Gatherings were limited to 10 people and retail outlets were required to close at 8 pm.

### 01 JULY

Portugal in state of alert, except the Lisbon Metropolitan Area (LMA), which remained in a state of contingency. Still within LMA, 19 parishes in five municipalities remained under state of calamity. The heads of state and government of Portugal and Spain marked in Badajoz and Elvas the reopening of borders between the two countries.

### 03 JULY

Portugal was excluded from United Kingdom air corridors that don't force Britons to quarantine.

### 21 JULY

The European Council agreed on a financial aid package for the Member States of the European Union. In Lisbon, the "Strategic Vision for the 2020/2030 Recovery Plan" was presented, a document by António Costa Silva.

### 24 JULY

Return of Formula 1 to Portugal was announced and due to take place at the Algarve Racing Circuit, in Portimão.

### 26 JULY

Portugal crossed the threshold of 50 thousand infected.

### 30 JULY

The Council of Ministers approved the authorisation for bars and clubs to operate with the same rules applied to cafes and pastry shops. The resumption of indoor sports was authorized, but without an audience.

### 31 JULY

The National Statistics Institute (INE) published data on the Gross Domestic Product (GDP): drop of 16.5% in the 2nd quarter of 2020 compared to the same period. Marta Temido, Minister of Health, stated that in the first six months of the year there were less than one million medical appointments compared to the same period in 2019.

### 01 AUGUST

The use of a mask on the street became mandatory in Madeira. National football Cup final took place in Coimbra, with no audience on the stands.

### 03 AUGUST

The first day without COVID-19 fatalities was announced in Portugal.

### 12 AUGUST

Final phase of the Champions League took place in Lisbon, with no audience in the stadiums.

### 22 AUGUST

The United Kingdom reopened the air corridor to Portugal.

### 10 SEPTEMBER

Council of Ministers approved measures to be applied in the contingency status, in force after the 15. The United Kingdom put Portugal back on the list of countries forced to quarantine upon arrival.

### 14 SEPTEMBER

Start of the school year of basic and secondary education. Return from face-to-face classes and mandatory mask use in schools.

### 15 SEPTEMBER

The entire continental territory entered a contingency situation due to the return to classes and face-to-face work.

### 18 SEPTEMBER

António Costa summoned a crisis office due to the continuous daily increase of new cases. The last meeting took place on 29 June.

### 04 OCTOBER

Portugal exceeded 2,000 deaths since the beginning of the pandemic. Ursula Von der Leyen visited Portugal and attended the Council of State meeting.

### 13 OCTOBER

The International Monetary Fund (IMF) predicted on this day a fall of 10% of the Portuguese GDP, in 2020.

### 14 OCTOBER

Government raised alert level in mainland Portugal to calamity situation. It presented a proposal to make it mandatory to wear a mask on the public thoroughfare and to use the STAYAWAY COVID application, a requirement which it would later remove.

### 19 OCTOBER

Portugal exceeded 100 thousand COVID-19 infections.

### 22 OCTOBER

Council of Ministers approved a resolution that bans travel between municipalities in the territory of mainland Portugal in the period between 00:00 on October 30 and 00:30 on November 3, the weekend of "All Saints Day".

A new record of cases was reached (3,270) and Madeira extended the calamity situation until 30 November.

## 23 OCTOBER

Proposed use of a mask on public thoroughfare was approved by the Parliament.

## 24 OCTOBER

The Formula 1 Grand Prix took place in the Algarve, with audience in the stands.

## 28 OCTOBER

The use of masks in public spaces became mandatory.

## 29 OCTOBER

Portugal exceeded all maximum levels since the beginning of the pandemic and crossed for the first time the threshold of 4,000 infected daily (4,244 to be more precise).

## 04 NOVEMBER

It was announced that about one third of the Portuguese population had already been tested for the new coronavirus.

## 05 NOVEMBER

President of the Republic, Marcelo Rebelo de Sousa, announced the decree on the State of Emergency, for a period of 15 days, between 9 and 23 November, after a favourable opinion from the Government. Mandatory curfew on weekends from 1 pm to 5 am the next day, in 114 municipalities.

## 17 NOVEMBER

The first known case of COVID-19 in the world was diagnosed a year ago on this date in the Chinese province of Hubei, Wuhan. Hungary and Poland vetoed the European Union's multi-annual budget for 2021-2027 and the Recovery Fund (€ 750 billion).

## 18 NOVEMBER

The American pharmaceutical company Pfizer and the German biotechnology laboratory BioNtech disclosed 95% effectiveness of the vaccine against COVID-19 after presenting the final results of the third and final phase of the clinical trial of the Pfizer vaccine. Lancet scientific magazine reported that a vaccine developed by the University of Oxford proved to be safe and generated immune response in older people. The Moderna vaccine is 94.5% effective.

## 19 NOVEMBER

Portugal with a new record of infections: 6,994 new infected and 69 deaths in 24 hours. Marcelo Rebelo de Sousa sent a draft diploma to the Parliament for the renewal of the State of Emergency for yet another 15 days, from November 24 to December 8.

## 20 NOVEMBER

Parliament approved the new State of Emergency.



# INSURANCE AND THE PANDEMIC

**The epidemic caused by COVID-19<sup>1</sup>, in addition to the tragic consequences in terms of loss of human life, will have an estimated cost for the global economy of USD 12 trillion in 2020<sup>2</sup>, putting the world economy in recession, as a result of the lockdown measures enacted by Governments, restrictions on mobility and closure of certain economic activities. We will witness a decrease in GDP in almost all world economies, particularly the main economies and China will be able, nonetheless, to make sure its estimations point to a slight increase.**

The epidemic caused by COVID-19, in addition to the tragic consequences in terms of loss of human life, will have an estimated cost for the global economy of USD 12 trillion in 2020, putting the world economy in recession, as a result of the lockdown measures enacted by Governments, restrictions on mobility and closure of certain economic activities. We will witness a decrease in GDP in almost all world economies, particularly the main economies and China will be able, nonetheless, to make sure its estimations point to a slight increase.

The harmful economic and social consequences in all sectors of activity and in all types of companies, regardless of their size, are a reality we all face today. This pandemic crisis has shown how vulnerable our financial system and national health systems are. The financial market is currently witnessing a huge volatility, due to the current uncertainty as to the end of the pandemic crisis and the true impact at the end of it. As for the healthcare systems they eventually collapsed in some countries up to the extent that they were faced with the need to make unthinkable decisions as regards the management of people's lives.

As for the Insurance sector, specialists have pointed out the main consequences that will be felt, in summary, in 4 dimensions: **Balance sheet** (reduction in the value of Assets), **Profit and Loss Account** (lower volume of premiums issued as a result of the drop in GDP and increase in reinsurance costs), **Liquidity** (lower financial yields, potential delay in premium collections) and **Capital** (deterioration in the value and quality of the investment portfolio).

Among the business lines most exposed to pandemic risk, internationally, we find losses pertaining to Non-Life Operations, Cyber Risk, Civil Liability and Event and Travel Cancellations. In the Life branches, the most important is to understand the level of excess mortality due to COVID-19 and the impact of the evolution of the financial markets and the saving capacity.

The estimated global insured losses related to COVID-19 point to a total cost of between € 30 billion and € 100 billion, to which we should add the costs of claims related to other disaster risks. Here we include, for example, losses related to North Atlantic hurricanes, which could make the year 2020 one of



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<sup>1</sup>Is the name, attributed by the World Health Organization, to the disease caused by the new coronavirus SARS-COV-2

<sup>2</sup>Source: International Monetary Fund, June 2020

<sup>3</sup>Source: Grupo Marsh & McLennan Companies.





the most relevant years in terms of claim costs. On the other hand, the reduction in financial yields generates an overall increase in the cost of reinsurance and retrocession (increase in the cost of reinsurance by 30% to 50% in Japan, 20% to 30% in Florida and in the interval of 5% to 10% in other markets).

According to the June 2020 report by Banco de Portugal, a 9.5% drop in national GDP is projected for 2020 along with an unemployment rate increase to 10.1%, thus reflecting the abrupt halt in economic activity in the first half of the year of the year.

In terms of insurance output, the volume of premiums accumulated from January to October 2020 shows a 41.6% decrease in the Life branch and a 4.0% increase in the Non-Life branch (which in March stood at 6.7%).<sup>3</sup> The accident ratio in the Non-Life branches witnessed a decrease as a result of less mobility and lockdown, but it is estimated that in the second half of the year it will increase again (ex: multi-risk, car, health), either due to the increase in costs related to the pandemic (ex: tests, cancer treatments postponed and in AT), or due to a possible increase in fraud, typical of periods of crisis.

The insurance sector, when called upon to intervene during this pandemic crisis, reacted quickly and communicated in close relationship with its Customers, speeding up the ongoing digitization processes, creating new online solutions (especially in the Healthcare sector), revisiting the

content of prevention and information on procedures in case of symptoms, adjusting the levels of supply in order to reduce the impact on the companies' business, simplifying insurance processes as regards accepting risks and settling claims, among others. As regards Employees, companies in the sector were able to privilege remote work, reducing mobility needs, a fundamental measure to reduce the risk of contagion, safeguarding their health and well-being, as well as that of their families.

At the level of the Portuguese Association of Insurers, a Solidarity Fund was created, which is intended to support the family members of a group of professionals who, in the performance of their professional duties or voluntary mission, have tested positive for the disease COVID-19 and, as a result, have died or will die.

We may say that, in view of this event, the insurance sector proved to be solid, but with new and exciting challenges ahead.

At global level, the economies with the highest insurance penetration rates now have a more sustained initial recovery level, and can therefore be considered more resilient economies.

Portugal has a low savings rate as per disposable income (reaching a minimum value of 4% in the third quarter of 2018, when in 1995 it was 15%) and has an insurance penetration rate, particularly for seismic risk, which is far

At global level, the economies with the highest insurance penetration rates now have a more sustained initial recovery level.



below exposure to risk (only 15% of the national housing stock has insurance coverage for earthquakes), hence it is urgent to take measures that will be there to increase both financial literacy and perception in society, for this type of catastrophic risks, as well as the identification of preventive measures that allow us to mitigate the appearance of these risks and the impact they generate.

Thus, it's essential to establish an open dialogue between public entities and the private sector, when launching the theme of shared resilience solutions, considering that this type of events and risks are so high that no stakeholders will be able to create an effective solution if they operate on their own.

Under a situation of pandemic risk, due to their size, the principles of mutualisation and risk diversification, which are the basis of the Insurance concept, are not guaranteed.

According to the latest EIOPA report<sup>4</sup>, the insurance premiums in the Operating Losses branch collected over 100 years are not enough to pay 2 months of claims related to the stoppage of the activity resulting from the pandemic risk. The situation becomes even more serious if we take into account the possibility that Governments may need to confine our lives and businesses, which makes the exposure even worse.

Hence, it becomes relevant to come up with additional

solutions<sup>5</sup> that complement what the insurance and reinsurance industry can offer. And within this framework we must consider shared resilience solutions based on 4 elements: i) risk definition, ii) risk prevention, iii) product design and iv) risk transfer.

Risk modelling and data collection, by both public entities and the private sector, are a key issue (percentage of the population using public transport, contagion ratios, mobility index, percentage of immune population, testing capacity over time), managed with a Data Protection framework.

We have to take advantage of the greater perception of risk and the implementation of preventive measures, which resulted from the experience of the first wave of the pandemic. We have examples implemented both in the private sector (business continuity plans, remote work, and tests) and in the public sector (greater hospital training, increasing the ability to test and control outbreaks of contagion). This is undoubtedly a challenge for our sector. The creation of tools that can measure the efficiency of these preventive measures and reflect them later on insurance premiums.

In terms of product design, the issues currently being discussed between different entities and forums are based on the mandatory or voluntary coverage regime, whether it should be considered as additional coverage or a new product, whether it should be supported by a

<sup>3</sup>Source: Grupo Marsh & McLennan Companies.  
<sup>4</sup>APS – Portuguese Association of Insurers

<sup>4</sup>EIOPA – Issues Paper on Shared Resilience Solutions for Pandemics, July 2020  
<sup>5</sup>EIOPA – Issues Paper on Shared Resilience Solutions for Pandemics, July 2020

We have witnessed a greater frequency of disaster phenomena over the course of several years, where Portugal is no exception to the rule, so the whole of society must strive to adopt preventive and protective behaviours that allow them to be dealt with more safely and effectively.

parametric product, where the claim payment is based on a previously defined parameter or index, or traditional coverage. It is important to reinforce, at this point, the message that the economic impact does not result from the pandemic risk itself, but from the measures that result from the confinement decreed by national governments and European institutions, depending on the severity of the evolution of the pandemic.

In addition to the deductible assumed by policyholders, the transfer of risk must be provided for and ensured by different layers of protection, namely: a first layer represented by the insurance industry or insurance pool, a second layer represented by the reinsurance market, a third layer constituted by the different national States and, finally, a last layer supported by the European Union. The role of each layer must be planned and defined in a clear and transparent manner. It will be a dynamic risk transfer over time, that is, in the available

private capacity should be more limited, but as there is a greater knowledge of the risk and how to assess it, the Insurance and Reinsurance industry may increase its support, bringing capacity, with the State and the EU acting as reinsurers of last resort.

The European Union can and should make it easier, encourage and coordinate the launch of these initiatives, seeking to create these types of solutions. Portugal, unlike other countries, does not have any solution in place to face, for example, seismic risk and should take this opportunity to relaunch the discussion on this topic.

The implementation of national solutions in the European Union aims at mitigating the effects on the economy of this type of risk, avoiding economic fragmentation among the member countries and limiting its exposure as a last resort reinsurer.

The creation of a methodology that makes it possible to analyse at a macro level which are the best practices in each country or region, may allow to identify better and in a consistent way which indicators will expedite the payment of claims and which limits to apply.

Financing or support as a reinsurer, of last resort, may be conditioned to the implementation of these solutions at national level. It will be recommended that each country has its catastrophic risk management dashboard and the solutions implemented to face them are identified.

Finally, we should be able to support the creation of an insurance program for pandemic risk that allows accelerating the economic recovery and contributes to a change in the values of society, increasing the perception of this type of risk and improving the preventive behaviour of all the stakeholders (Customers, Partners, Insurers, Reinsurers, State, and Community).

One last note to highlight the risk related to climate change, a risk that should not be underestimated. We have witnessed a greater frequency of disaster phenomena over the course of several years, where Portugal is no exception to the rule, so the whole of society must strive to adopt preventive and protective behaviours that allow them to be dealt with more safely and effectively.

## SUSTAINABLE USTAINABLE FINANCE AND THE INSURANCE SECTOR

### BACKGROUND

The theme of "Sustainable finance" has been a pressing issue on the agenda of European legislators and supervisors recently.

Legislative projects in preparation and in the implementation phase, many of them with very ambitious objectives and timetables, will have direct and indirect impacts on the insurance sector, with emphasis on the fact that the European Commission recently presented, last July to be more precise, proposals aimed at incorporating sustainability in two basic diplomas for the insurance activity: the prudential regime applicable to insurance companies (Solvency II Directive) and the regime applicable to insurance distribution (Insurance Distribution Directive - IDD / DDS). We can clearly highlight three major areas where regulation related to sustainability (ESG) take on particular relevance in the insurance sector:

- / Investments;
- / Sale of savings products; and
- / Risk Subscription.

### INVESTMENTS

The investment area will probably be most affected by the legislative and regulatory developments around sustainability. Indeed, as a major institutional investor, the insurance sector may, if the right conditions are there, make an important contribution to the sustainable financing of the economy, while always safeguarding concerns related to a balance in the management of assets-liabilities and the binomial profitability/risk.

Considering that the overwhelming majority of the insurers' portfolio – around 70% – is invested in public and private debt securities, especially relevant for the sector are the legislative and regulatory developments linked to the creation of requirements for "Green Bonds." and/or ways to clearly identify which projects are considered sustainable (taxonomy is certainly one of the possible ways to get there but there are still many questions about how to implement it in practice).

On the other hand, given the volume of the sector's asset portfolio (more than € 55 billion in Portugal alone), in addition to creating classification mechanisms, it is also important to ensure a greater availability of ESG assets in regulated markets. To this end, it will be very relevant to create the right conditions and encourage the use of the capital market as a means to finance companies. It is hoped that the initiatives currently underway related to the Capital Markets Union (CMU) will be able to contribute to this end.



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### SAVINGS PRODUCTS MARKETING AREA

The other, equally important aspect of these advances at the legislative level, is the protection of savers through the provision of standardized, transparent and clear information that allows them to make appropriate investment decisions, either when signing the insurance contract or over the duration of the contract.

The Sustainability Finance Disclosure Regulation (SFDR) is one of the legislative initiatives based on this concern. This regulation presents several challenges in its implementation since there are several points of contact with other legislation in force or under development (for example, with the amendment of the non-financial information directive, with the Distribution Directive, among others...) that need to be factored in to avoid overlaps, but also because it lacks additional regulations that are expected to only be formally published shortly before its entry into force (March 10, 2021), thus leaving very little time for its implementation by the operators.

In this area, and in order to convey some kind of confidence to investors with concerns about sustainability, it would perhaps be important to define some type of certification mechanism for sustainable financial products (an "Ecolabel" or something similar).

### RISK SUBSCRIPTION

Although perhaps less evident for those who are not familiar with the insurance business, it is important not to forget that the true essence of the insurance business lies in risk management (its identification, modelling, measurement and mitigation).

Effectively, through risk prevention and mitigation mechanisms, and the mutualisation of this between the various economic agents, the insurance sector helps protecting society, stimulates innovation and supports economic development and may thus have a strong role to play promoting practices aimed at a more sustainable development.

It is, therefore, unsurprisingly that we are witnessing proposals from the European Commission, through regulation subsequent to the Insurance Distribution Directive (IDD / DDS), aiming at incorporating concerns about sustainability in the policy of design, approval and governance of products ("Product Oversight and Governance"- POG). In this domain, it is essential that such requirements, are introduced in duly weighted manner and are not blindly applicable across the board, even to products not affected by ESG risk factors.

### CLOSING REMARKS

Even without the aforementioned legal and regulatory requirements, the insurance sector is aware of the growing environmental, social and governance challenges it faces. It is also aware of the state of affairs as regards ESG and how they are in an interconnected and complex manner, increasingly influencing traditional risk factors, which is why they have been progressively incorporating sustainability factors in their risk analyses and assessments. Examples of this are the negative underwriting practices already announced



by several insurance companies worldwide aimed at reducing or eliminating exposure to sectors of activity with negative environmental impacts (for example, exploration of fossil fuels).

The insurance industry generically supports the ambitious "European Green Deal" objectives for a sustainable economy in the European Union, which, among other things, implies an economy with zero net greenhouse gas emissions by 2050.

But it is essential that the different initiatives of the European Commission related to Sustainable Finance currently underway duly achieve their objectives, including, in the specific case of the insurance sector:

- / The establishment of realistic content and feasible implementation deadlines for level 2 regulations, both with regard to taxonomy and sustainability-related disclosures (SFDR and NFRD);

- / The creation of legislative and regulatory instruments aimed at ensuring that issuing companies provide in a structured way the necessary data for a proper assessment of sustainability by institutional investors;

- / The amendment of the Solvency II regime in order to ensure that changes are introduced to promote an adequate assessment of long-term business risks to allow the insurance sector to invest in the long term and thus support the European Union in its objectives of achieving carbon neutrality and sustainable economic growth. Any regulatory barrier to long-term investment by the insurance industry will also be an obstacle to sustainable investment, hence any improvements that can be achieved in the design and calibration of the current prudential regime to better reflect the long-term nature of the insurance business will assist the promotion of sustainable investment. In any case, avoiding the

The insurance sector helps protecting society, stimulates innovation and supports economic development.

temptation to try to encourage insurance companies to invest in a sustainable way by creating artificial incentives/disincentives in terms of the capital charges applicable to assets based on green/brown qualifications. This practice will never be in line with the principles of the solvency II regime (which follows a risk-based economic approach). As such, if direct incentives for sustainable investments are to be created, they must be of a different nature, for example through budgetary support (tax or other).

Finally, and to conclude, it is worth mentioning that Portugal will have a very important role to play in terms of sustainability, not only in the proper development and implementation of local initiatives, but also at the European level as it is expected that many of the aforementioned projects have relevant developments during the Portuguese presidency of the European Union (first half of 2021).





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## WORK FROM HOME SOME CONSIDERATIONS ON THE CURRENT LEGAL REGIME IN FORCE AND THE DOUBTS IT RAISES

Teleworking is well-known and regulated figure in the Portuguese legal system and took on an extremely relevant practical dimension with the pandemic. In fact, first, with article 6 of Decree no. 2-A / 2020, of 20 March, and, later, with Decree-Law no. 94-A / 2020, of 3 November, which added to article 5-A to Decree-Law no. 79-A / 2020, of October 1, mandatory “adoption of the work from home regime, regardless of the employment relationship was determined whenever the relevant functions do allow it and the worker has the conditions to exercise them, without the need for a written agreement between the employer and the worker”. Teleworking was regulated for the first time in the Portuguese legal regime with the Labour Code (CT), in 2003, and is currently contained in articles 165 to 171 of the Labour Code filed as one of the forms of employment agreement.

There are two significant differences between work from home regime provided for in the Labour Code and what the relevant provisions, particularly in Article 5-A of Decree-Law No. 79-A/2020. On the one hand, regulated teleworking concerns only the provision of work performed with legal subordination (article 165 of the LC), while in the recent regime it also applies to so-called autonomous or independent work. On the other hand, teleworking provided for in the Code is based on private autonomy, resulting from a written contract for subordinate work provision (Article 166 of the LC), while the new regime is imposed, prevailing over the contractual freedom of the parties. It is true that limited hypotheses were already provided for and under which teleworking could, at the employee's wish, be imposed on the employer (article 166, paragraphs 2 and 3, of the CT); but not imposed on the worker.

In teleworking, the worker, connected by electronic means, works for the beneficiary company remotely, namely at home. Although, in a broad sense, teleworking covers any activity provided at a distance, in a strict sense, it relates to situations in which the worker is electronically connected to the company benefiting from the activity; hence it is limited to the provision of intellectual work. There are several activities that can be provided outside the company, at a distance (e.g. distribution of goods, manufacture of raw materials), but in order to be considered teleworking *strictu sensu* it is assumed that the activity itself is carried out through the use of information and communication technologies.

Teleworking has advantages, both for companies and for workers, thus justifying the bet on this form of work provided for in Framework Agreement on Teleworking, signed by the European social partners on 16 July 2002. But there are also drawbacks. To the extent that the activity provider, connected electronically to the company, provides the activity, for example, at home, respect



for the normal period of work, the rules of safety and health at work (article 169, no. 1, CT), etc. it can be difficult to ascertain, both by the parties and by the regulator (Authority for Labour Conditions); Furthermore, the implementation of such rules can also be complex.

There are still two relevant issues to consider.

Firstly, the combination of the employer's management power, namely through control over the worker's activity, with the consequent discipline, and the privacy of the work provider who performs the activity outside the company, often at home. Article 170 of the LC attempts to reconcile respect for the privacy of the teleworker with the control of the activity by the beneficiary company, but the corresponding implementation raises doubts, especially when teleworking was not the result of a freely negotiated agreement.

The second problem concerns the isolation of the worker in relation to the company, both in contact with other co-workers and in the lack of insertion in the organizational structure, with frequent disregard for career progression. That is why, in certain cases, the situation is reversed, returning the worker to the common regime (article 166, paragraph 6, CT) and the possibility of maintaining contacts with the collective representation structures (article 171. LC).

In this context, particularly in situations where teleworking is provided at the employee's home (subordinate or self-employed) without relying on the parties' agreement, there are certain issues to be considered.

As for the necessary conditions for the activity to be performed at the worker's home, it is important to consider not only feasibility aspects, but also safety, hygiene, etc. ; it is worth ascertaining whether the employer or beneficiary of the activity can check the conditions (inspecting the location) and whether he has to provide the working conditions (providing a computer, table, chair, internet, etc.). Questions are then raised as a result of the fact that work activity is performed interchangeably with domestic work, which may have an impact on the final result, possibly affecting pay depending on the result or career progression, as well as on accidents at work.

Teleworking may imply a reduction in business risk, as workers do not travel (eliminating accidents in itinere) or remain in the company, but, concomitantly, it determines an increase in the risk of domestic accidents, the cause of which may be related with the employee's stay at home for longer periods. Now the actuarial calculation of the risk of accident at work of 100 workers in a company is not transferable for the maintenance of activity of the same 100 workers in their respective homes.



