Q4 2014 Earnings Call

Company Participants

- Arthur Farme d'Amoed Neto, Vice President of Control and Investor Relations
- Gabriel Portella Fagundes Filho, Chief Executive Officer
- Unidentified Speaker

Other Participants

- Gustavo, Analyst
- Renata Cabral, Analyst
- Unidentified Participant

Presentation

Operator

Good morning and thank you for standing by. Welcome to the Conference Call of Sul America to discuss the results related to the Fourth Quarter 2014. Here with us are Mr. Gabriel Portella, CEO of the company and the company's Vice President.

We would like to inform that this event is being recorded and all participants will be in listen-only mode during the company's presentation. After Sul America's remarks are completed, there will be a question-and-answer section at that time further instructions will be given. (Operator Instructions) The audio of this call will be available at the company's Investor Relations website shortly after the event. Today's live webcast both audio and slide show may also be accessed through the company's Investor Relations website at www.sulamerica.com.br/ri, by clicking 4T 14 banner. The webcast presentation is also available to download on the webcast platform.

Before proceeding, we would like to mention that forward-looking statements are based on the beliefs and assumptions of Sul America's management and an information currently available to the company. They involve risks, uncertainties and assumptions, because they relates to future events and therefore depend on circumstances that may or may not occur in future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Sul America and could cause results to differ materially from those expressed in such forward-looking statements.

Now, at this time, I will turn the conference over to Mr. Gabriel Portella, Sul America's CEO, who will start the presentation. Mr. Portella, you may begin the conference.

Gabriel Portella Fagundes Filho {BIO 18012687 <GO>}

Good morning, everyone. We are present today results of the fourth quarter and full year of 2014. Before we go on with the presentation, I would like to highlight some points that I consider relevant. We had another year of strong growth, further consolidating our business model and our position as the largest independent insurer in the country with larger strategy and growing customer base. This results can be attributed to our business expansion strategy supported by recognition of brokers to a relationship or service and training. Also to the excellence in the management of insurance operations always focusing on profitability. The successful management of our own asset strategy and the strict control of expenses that we had during the period.

Our industry continues with great growth potential in various lines of business. Market projections for growth in the coming years continue to grow double-digit in all segments in which we have a strong presence. Among the various growth drivers the most important remains some level of penetration of insurance market in the country. Thus we believe that our business model (inaudible) have seen the opportunities in a very positive way.

Our health and dental operations continue to grow vigorously, showing the quality of the products and services of Sul America, gaining a high retention rate in addition to the adjustments necessary for margin correction applied in the second half of 2014. Also accelerated our investments in all our claim management programs. For example the second medical opinion and direct purchase of special materials and medicines as a result can be seen in clinical plans in the fourth quarter, when we reached an excellent rate of 68.6%.

In health management, the accretion of new programs and campaigns were also intensified in order to increase the penetration of client companies. We continue to believe that the continued investment in medium and long-term in health management would be the driver of change and sustainability of this market.

In the Auto segment, our premium grew by 6.9% and the insured fleet increased by 7.7%, especially important result if you can see that for the second year in a row, we had a drop in sales in the country. The subscriptions responsible improvement of claim management especially in direct purchase of parts, the sale of salvaged and compensation were directly responsible for the maintenance of our claims at a rate of 60%, almost 4 percentage points better than the market.

In Property and Casualty, we noted improvement in the loss ratio, as a result of the new composition and reputation of the portfolio. The launch of a specific coverage segment such as for LA hairdressers [ph], schools, pet shops, drug stores, pharmacies and clothing stores is all contributed to a significant growth of 31.6% and the portfolio of business insurance operation similarly with the repositioning of portfolio. Our insurance business of Life and Personal Accident showed significant improvement of 11.8 percentage points in the loss ratio of the year. And in the last quarter again showed 17% revenue growth as compared to the same period of the previous year.

In Pension, we've reached 4.4 billion in reserves with an important increase of about 10%. We continue to capture the benefits of integrating and capitalizing our operations with an important and growing contribution to the result

In our asset management area, Sul America investments totaled 21.6 billion in assets under management, one of the few managers of the country with positive net sale of [ph] resources, an important result, especially against the macroeconomic scenario and the high market volatility in the period. The expansion of the product portfolio with the launch of new strategies, our investments all contributed to this achievement.

The ongoing maintenance of the administrative cost ratio is a result of a strong cost control discipline that still allows us to have the flexibility to make significant investments on several fronts, such as the acceleration of health management program, active health, the release of our brand and especially in technology with a focus on continuous improvement to our customers and brokers.

I also emphasize that for the 6th year in a row, the company integrates the corporate sustainability index of Bovespa that's part of the growing importance of Sul America it was still sustainability. The first and the only insurance company to compose the index. Finally, the year of 2014 marked the achievement of a record result in our history and the maintenance of our history of positive results.

I now give the floor to Arthur Farme, Vice President of Control and Investment Relations to comment in more detailed results of each of our operations. After that as usual, we'll be ready to receive your comments and any questions. Thank you.

Arthur Farme d'Amoed Neto

Thank you. Gabriel. Good morning, everyone, everyone attending our conference call. I would like to emphasize the joy with which we are presenting the results of the fourth quarter of the year. I'm going to start on slide two detailing the breakdown of the company's revenues in different lines of businesses.

Dental grew almost 14% in the year, the growth of almost 14%, thereby showing the vigor of this portfolio. Automobile growing 5% on the quarter, almost 7% on the year. As Gabriel said in introduction, our emphasize on the yield of its portfolio, Property and Casualty with a drop of 27% in the quarter and almost 10% in the year, because of changes in the regulation that affected some of the portfolios and also in the company's risk appetite considering the risks in this sub-segment.

Life and Personal accident, a very good behavior in the second -- in the fourth quarter, I mean, with the recovery of the growth of this portfolio in the year with a drop of 1.5, but the most important thing for us was this performance in the fourth quarter with an 18% growth as we mentioned before.

Pension contributions with a drop of 6% in the quarter, but an increase of 12% year-on-year, in spite of all the competition in terms of pension plans, our ASO grew 18% in the quarter and 21% in the year, it's a private that complements the company's portfolio in the segment of private health.

Asset Management with a 6% growth in the quarter, which is significant because in the year where our performance fee were more challenging and we managed to attain good results. And if we compare that 14 [ph] months, it's a just a slight drop. In saving bonds, we had a drop of 24% in the quarter, but a growth of 54% in the year, in comparison basis, this growth is 9.3% and as you can see in the legal notes in the slide where we normalize the comparison Sulacap was acquired by the company. So we are comparing 12 months with 8 months. So if we may get uniform, the numbers would be slightly different.

Now going on to slide number three. Here you can see again at a total consolidated revenue, just I want to highlight, our smaller dependents of insurance premiums (inaudible). So in the past it was 57% and in 2014 is 79%. In terms of savings bond, we had a recomposition of the total revenues, thereby improving our results in terms of insurance activities.

Now going on the presentation on slide number four, there is a table here that we usually mention in our conference calls, we go back to insurance premiums, just insurance premiums with a growth of 9.9% quarter-on-quarter, 10.7 comparing year-on-year with 13 billion in insurance premiums, loss ratio is better in the fourth quarter -- better than in the fourth quarter of 2013, and in spite of all other challenges it's remained stable, we managed to close the year at the same level of with loss ratio as in 2013.

In terms of admin expenses they are related to revenue slightly worse in terms of its ratio to the revenue, but we are in the same space with our profitability with this aspect and for the year once again, we are stable growing from 9.2 to 9.1. And as a reminder here, we incorporated a 100% of savings bonds operations. So we had eight months of expenses in savings bonds in 2013 and in '14, we have 12 months. So if we were to have same with comparison basis this number would be different. So we are below 100% for combined ratio, considering the year as a whole.

So these admin expenses carryover all non-insurance activities such as a bonds, asset management, pension, where you can see the effect that somehow adversely affect the combined ratio of the company, even so we managed to have this rate which is below 100 in a better rate for -- a ratio for the quarter 93.4 better than the 93.6 in a year before.

Investment income is 40% better, if we compare it to year 7.5, if we compare it to quarters in two different years and this was driven by a higher volume of assets, higher interest rates. Some opportunities of our pre-positioning and that Marcelo, in our asset team did with our portfolio along 2014 and we may go back to those points further ahead. But I think that they were very successful in the management of this portfolio. And as a reminder the foundation is ALM as a priority. So the portfolio is totally focused on our management of liabilities and seizing the opportunities we have. So we have a small exposure in the stock exchange.

Our net income is record of the fourth quarter was 294 million, the best fourth quarter ever in the company and the largest net income for the company in recurring basis. So we sold property in Sao Paulo, real estate property to another insurance company also with a positive effect on the results. Once we eliminate these two non-recurring events from the result, this is a record number, especially if we compare the fourth quarter and the challenge of 1.9 which might seem small actually it needs to come together, we need to remind that we had still a significant non-recurring events, thereby increasing the results of the fourth quarter.

And we have the provisions for a lawsuit and we had a favorable decision and also the sale of a real estate property of the savings bond company that we bought and both of the (inaudible) place in the third quarter -- in the fourth quarter, I mean. And this cause the positive effect on the results and even so we managed to have 1.9%. The ROAE was 14.4, better than the 13.8 in the fourth quarter of 2013, and in the third quarter it was 14.9. So we had a very good quarter.

Now I will talk about the main business segments starting from health and dental on slide number five. As we said before, insurance premiums grow almost 14% quarter-on-quarter and almost 14% year-on-year, but the highlight is the drop in loss ratio with almost 11 percentage points comparing the fourth quarter to the third quarter and these are comparing the quarter-on-quarter comparison in the two different years is also better. So we had a stable loss ratio in the year with 81.2 to 81.4. So the market as our whole, as you can see the results being published, so 81.4 for us is a result that represents the successful effect of many actions that we've been implementing in our company and we can give you more detail as we go through the Q&A session.

So, our gross margin is a consequence of what happened to the loss ratio. We didn't have any relevant operations in terms of our sales policy and looking at our portfolio, the portfolio is quite stable in terms of numbers -- of member's year-on-year. So the growth on the two quarter, if you compare third quarter to the fourth quarter is stable, but the movements within the sub-segments were quite different. So there is a drop in corporate, as some increase in smaller businesses, a slight increase in dental, and in (inaudible). So we are not selling it for 10 years and they are gradually reducing their share, because of cancellation, while the portfolio changes.

Now going to Auto, on page six. Auto again we had a growth of 5% in the quarter and 6.9% in the year, but this is in line with our policies, which leads to our chart on the top right hand corner, with the loss ratio that had an improvement if we compare 3Q to 4Q, and if we compare the same quarters in the two different years. So the company's decision was successful in terms of focusing on margin. The fleet increased almost 8% if we compare the two different years, almost 2% if we compare the last two quarters of the year. But the speed of growth seems to be appropriate to the environment that we had along the year of 2014 and our subscription policies.

Now going to Property and Casualty. So there was a decrease of 27.4% comparing two quarters and almost 10% comparing the two years. So some of the drivers for this drop was that the company has a risk appetite that has driven to this performance. Loss ratio close the year about 1 percentage point better, because of this change in the composition of the portfolio. We showing highlights the bottom right-hand chart. The composition of breakdown of total premiums in terms of portfolio is comprising with other property and casualty. And here we have property had the one of the best performances in terms of revenue.

And also we now going to Life and Personal Accident, on slide number eight. And here we had a growth of 18% in the quarter, a slight drop of 1.5% in the year. And the loss ratios that was substantially better if you compare the two years. So 56.7 going down to 45% considering all our replacement policies and concentration of portfolio in the segment of life and personal accident. So, the improvement in the gross margin is related to the better loss ratio, when we looked at portfolio breakdown and we look the different sub-segments of life and personal accident, we are concentrating on growth life and then we have some casualty lump sum, individual and lenders insurance. But the main portfolio has been going through.

Now looking at Pensions. We had a drop of 6% in the quarter, an increase of almost 12% comparing the two years, the VGBL grew 19.7% comparing year-on-year. So especially, VGBL and PGBL with a vigorous growth in this period and the company's reserves grew 9.7% in this period, comparing with two years. So our performance is slightly less than 4.5 billion reserves -- for pension reserves. In terms of savings bond, so if we compare the two years this numbers -- we are not on same comparison basis, we had -- have a drop of almost 20% -- 21% if we compare the quarter, then we are going to comment this further ahead. In terms of reserves, there was also a drop of 15.1%, in the operating income our savings bond with an increase of almost 45%, if we add that, as I said in the beginning, new sources of income for the company that are more a diversified.

In this sense, Asset Management on slide number 11, we had an increase of 18% in the volume of assets under management. So the highlight is because this portfolio is not directly related, so our third party had a growth of 24.6 and the proprietary grew 13.3 and here it includes the incorporation of the assets [ph] of Sulacap that was acquired in 2013. Our third-party portfolio had a growth of almost 25% in a quite challenging year, in terms of asset management 18.8 in total. So in terms of our third-party portfolio half of it is focusing on fixed income, multi-market and so on. So the operation contributed with almost 11 billion in the fourth quarter to our consolidated results.

In terms of Admin Expenses, we can see that on slide number 12. We did deterioration nominal almost 11% or 10.4%, worsening of almost 14%, if compare quarter-on-quarter. But as I said, we should compare it to our revenue, which was better. So the company had a higher operational efficiency better than it had had in 2013, because of a better capitalization addition to a number of investments that we've been making in expanding our infrastructure and capacity, especially in IT and other projects to improve our operations and other things that we've been mentioning to you in our calls that leads to a better results in all our portfolios.

The combined ratio was better, so it's below 199.6 as we incorporate the financial income it goes down to 94.6, which is much better in the fourth quarter. So 88.8 if we compare it for the fourth quarter '14.

And in conclusion on slide number 14, you can see our investment portfolio in a top part of the chart, we can see, we are focusing in our investment strategy 11 b, adjust in terms VGBL and PGBL, a traditional pension funds and we closed the year very much consolidated in the past most in CDI inflation, a little bit of pre [ph] as I said before in a slight exposure in the stock market. In terms of risk, the company essentially allocated in public bonds and all our bonding high grade.

And in this manner, we completed the first part of our conference call. And now we're going to next -- open our Q&A session.

Questions And Answers

Operator

We are now going to start the Q&A session. (Operator Instructions) Our first question comes from Mr. (inaudible) from BTG Pactual. You may proceed, sir.

Q - Unidentified Participant

Good morning. I have two questions. The first one is the following, when we look at the results one of the highlights as far as we see it was an improvement in the profitability year-on-year after a loss ratio. So, I would like you to comment on this about this improvement what was on your tracking that was -- in your plans what was -- to which degree it was a positive surprise in the long term clients?

I would like you to mention about the first quarter, what do you see ahead and do you thing that this improvement is being maintained? And I would like you to comment on this and then I'll ask the second question.

A - Gabriel Portella Fagundes Filho {BIO 18012687 <GO>}

I'll ask Marie de [ph] to answer your question. Marie, would you please.

A - Unidentified Speaker

Thank you very much for your question. The way we see in terms of behavior of our business, our expectations is that this is going to be a rolled out in the other portfolios. And we are seeing a maturation which is being developed in along the years both in health, claims and the loss ratio, in terms of the claim management, we are going to talk about three items. The volume of interest that had been in operation in 2013 and 2014 the different levels of maturation is different. We have about 130 hospitals for direct purchase and this is also including other regions such as Dier [ph] were also including direct purchases and also second opinion all of the reforms that involves the process of getting a second opinion. It's providing more of the hearings to our clients. And also we have to include our specific program relative to basically diabetes and this management of claim in addition to managing health of the first phase, including management -- and also the management of chronic diseases.

All is connected in the same aspect of the care providing a solution in which the client can have more care, already we are talking with the wellness. And we also have a specific management for the chronic diseases, which had different levels in duration, they're all getting good results. So we worked with a clients and the health aspects.

And for pricing, we also had a very complex year and that year we work a lot trying to bring the (inaudible) important resources and we maintained a phase volume according our expectations and the adjustment of the underwriting was very good. And considering our best and this is valid for all portfolios, but we sold this more evidently in group aspect and we saw that specifically in the third quarter.

Q - Unidentified Participant

So I just ask the general question and also going to ask other aspects to be answered. Beginning with Auto aspects and based on the information that we have provided, it is sound that our policy was to focus on results and also to have a good control on the loss ratio and the results there obvious

A - Unidentified Speaker

This is a very competitive retail market and I believe that we were very successful along the year, because we did not fallow the pricing movements and the (inaudible) because it's very aggressive and this was our favor in terms of market share, but we had a growth of 16% in the segment of living. And we -- in the present where we didn't have competitivity, because we didn't choose to which was in the sector of the trucks. And it's a cycle that will return. So we are going to found more favorable movements in the future to apply the strategy.

And in terms of loss ratio, in addition to the pricing aspect. There was a big effort to manage claims, which is account to risk that the company has been investing in and across all areas.

In terms of refund purchase of parts and the management of salvages and this all affect geographically, the level of loss ratio and the gross margin year-over-year was a bit lower that due to a movement of expenses connected to sales, which was allocated otherwise that may cause the small drop. That this will stabilize longer time and we can see also improvement in this sense.

In the sector of property and casualty, the highlight is that portfolios is marine [ph] has very good performance. So we must tell that the loss ratio was a bit lower, but still our focus to make it even lower regardless of the gross margin of the segment. Even though it has been maintained at 21% which quite attractive.

And for the P&C management and the portfolio -- management is key to our strategy. Life and personal expense, the focus was to specification pricing and portfolio management, we managed to get this improvement and we reach the stability at 45% and the gross margin is very high at 23%, which was a good contribution to the company and the driver is to grow, but also preserving these results, and we also see the participation of individual life in the portfolio at 60% and this is a portfolio that we have invested over the years, (inaudible) products, launching new products, which are very competitive.

And we'll thought about, and this is reflecting in the sales volume and the profitability in the segment is much more favorable than the average. So this growth will certainly keep our loss of ratio control at a very high level. We would like to have your second question.

Q - Unidentified Participant

Thank you very much. And my second question is a following. In the past years, we have seen adjustments above 10%, in terms of life insurance prices. And we've heard in the press of an adjustment of about 18% for 2015. So my question is, is it something that makes sense and how do you see this going out in 2015 even though the economy is not doing so well and it seem that to 2015, is expected to get even worse? So how do you -- what's your opinion about this? How this increase is going to affect your business?

A - Unidentified Speaker

(inaudible) is going to give you the answer.

Sure, Gabriel [ph]. We have been following the news for some time and we have also have a -- had been having aggressive look to the adjustment. And the market as a whole has a structural segment showing different driver of behavior related to pricing. The policy is that we have we managed to retain the policies that we have lost have had follow the pricing behavior, which is homogeneous.

And based on this we believe that we are going to continue to have crude pricing of the portfolio, which is continues that will vary from policy to policy, but we are going to have the -- we're going to continue to have a very responsible way of managing this, we're going to keep our those up and we're going to continue doing using a very elevated approach. We are going to continue and the company's movement that we have seen out there.

Q - Unidentified Participant

Thank you very much.

Operator

Our next question comes from Renata Cabral from Santander.

Q - Renata Cabral {BIO 21901583 <GO>}

Good morning, everyone. Thank you for the opportunity. And so talking about loss ratio, my question is if you have already met or you have seen any positive impact in terms of Loss ratio considering investigations on fraud that we've seen?

A - Unidentified Speaker

Hi, Renata, this Mauricio [ph]. Renata I thank you for the question. We've been monitoring this issue regarding fraud for a while. So have implemented or dedicated great care, so having your second medical opinion and we also implemented a spynie care program with the objective of identifying patients were misdiagnosed for having a spinal surgery and direct them to major hospitals and good quality hospitals. And we have been able to read the results of this programs that we've implemented.

We also started our program with direct procurement of materials very (inaudible) still and its started in 2012, but it grow considerably in 2013 and 2014, especially with major hospitals in late 2014 and it's been growing. Just to give you an idea. Today we have direct procurements for almost all materials related it's to spinal surgery, orthopedics in terms of hip, shoulder and knee. In buco maxilo, catram [ph] which are where we spend the most and buy special materials in the medical segment.

Yes, we are aware there is a problem and we are encouraging and fostering investigations with all the do authorities wherever it is possible in terms of curving all the fraud related to the use of the (inaudible) an implants. We have been seeing this movement and we have implemented many actions. So here we're now talking about major items.

Now to minor items, (inaudible) very cheap items that have a very high volumes, ever since 2011, we have been implemented a huge task force in the number of actions that we have focusing on this type of products, both in terms of transposing margins incorporating them in global daily rates for these smaller items also developing electronic tools for medical auditing through operations and IT with the aim of working item on item for these small cost and high volume items. That when you work them in the wholesalers. We have a great impact.

So we are evolving well on both side, if we have the help of federal and governmental society and understanding it is issue in a broader way helping us to more effective in terms of having a second opinion, a group of physicians, so different opinions from different physicians, different types of problems that patient has, so that they can make a decision with more maturity and more information. The whole society will benefit and so well as a healthcare here. So we're going to focus more and more in this work.

Q - Renata Cabral {BIO 21901583 <GO>}

Thank you very much for your answer.

Operator

Our next question comes from Mr. Gabriel from Bradesco [ph]. Please Mr. Gabriel.

Q - Unidentified Participant

Good morning. My question is also related to health and the use of allocations in order to mitigate effects -- I have been hearing that you've been using more and more these resources. So how do you account for? How do you book those allocations and how did you use these funds in the fourth quarter? Did you see any increase in the use of these allocations in the fourth quarter?

A - Gabriel Portella Fagundes Filho {BIO 18012687 <GO>}

Hi, Gabriel this Gabriel. Marco [ph] is going to answer to answer you.

A - Unidentified Speaker

Now this is Marie de answering. Gabriel thank you for your question. We've always favored over the past few years, considering that these heart stroke problems we are focusing on adjustments rather than on allocation. So the key tone [ph] in 90 something percent of everything that we do is to focus on adjustments.

The issue of allocation is specifically in some cases, especially in large accounts with the key customers where there is some potential detachment and customers think that there will be some change in the profile of their accounts in the near future. So this is a very specific, we've been doing it, we've been doing it more than we used to do in the past, but this is not only key tone. Today it goes into our accounting, so as to compensate loss ratio in health in the future years. But our main focus is always to have adjustments, because adjustments provide a structural solution.

Thank you very much.

Operator

Our next question comes from Mr. Gustavo from Bank of America.

Q - Gustavo {BIO 17162944 <GO>}

Good morning, everyone. Thank you for the opportunity and congratulations on your good performance. And I would like to ask a question about your good performance, the sustainability of this good performance in the future. We have been able to see the effect of these measures that you've been taking over the past few years on the positive effect, it's showing now. But could you give us -- share with us your prospects in terms of an outlook, how much do you think you will be able to keep this level of loss ratio especially in health, I mean, in the future? And going back to your capacity of reprising. So your initiatives with physicians and hospitals and the other found your price adjustments. So, could you share with us, where are we in terms of our negotiations with hospitals and physicians, should we still expect positive outcome from now into the future in this process in your negotiations with hospitals and physicians? And your capacity of adjusting prices.

I have to understand whether this was an excellent quarter and it is just it's or structurally speaking, we should have the confidence that these measures will continue and will to drive good performance in the future. This is the first part of my question. And then I will ask you second question.

A - Gabriel Portella Fagundes Filho {BIO 18012687 <GO>}

Marie de is going to answer.

A - Unidentified Speaker

Well, I don't know what's going to be the second question, I'm scared. Because you asked long question, considering different aspects and maybe I'll just focus on just one, which is more structural. So you ask it how we see the results and if they are sustainable, the answer is, yes we are. I think the company has being perfecting its approach. I think there is room for continue like this and what we have been talking about is to have a claim management system, which is much more effective. There are different projects along those lines. And they tackle manner -- claims the origin.

And the loss ratio in consideration -- has a lot to do with how we work with the adjustments and we require this level of adjustment that we told you about then we need to continue doing this. I believe there is a positive measures are structurally based not all of the administration level, but also at the top level or capacity to make to increase -- the revenues growth. We have that diversified revenue base, one of the examples would be the patient asset management, our ASO all show the effort of the company of diversifying and everything that we have been doing have the same purpose of being more sustainable.

Specifically the answer, it can have different colors depending on what portfolio we are talking about, for health we are going -- we still have room for the portfolios and for us to make adjustments that the market need. As for Auto in December 2014 the result showing that we are comfortable in where we are and shows that 2015 seems to be very positive. All the portfolios that had adjustments had already reached right adjustments.

And in spite of the adjustment levels are considered to be high. The company has been growing in terms of portfolio, in terms of retaining the portfolios that are interesting to us. And we have preserved them, the company had kept a high level of retention and considering all of the characteristics in order to simplify you answer, because your question is so comprehensive. So the answer is, yes. The result is likely to be sustainable.

Q - Gustavo {BIO 17162944 <GO>}

Great (inaudible), thank you very much. My second question is also comprehensive, but more focused on the macro environment. So we have seen an increase still marginal yet, but it's going to be associated with the level of unemployment. And we have some question in terms of sustainability and lifetime of some small and medium enterprises. How do you see this, have you being preparing yourself to this? And we know that when the level of an employment increases and we know that there is an increase in loss ratio. So, what's your views? What are your plans you're going to put in place to -- in phase of this potential increase of an employment rate to keep this loss ratio that we have reached so far?

A - Gabriel Portella Fagundes Filho {BIO 18012687 <GO>}

Gustavo, this is Gabriel speaking. One of the characteristics (inaudible) strategy company is to operate in different segments and being able to have a sustainable growth as Arthur mentioned, even if you -- it's difficult to operate in segment of some business lines. And this is why we have this model still consolidated. I don't know which one is more important, should we expect the increase in unemployment level or the penetration aspect of our business. So, the majority of our base with brokerage in Brazil and we have a very large base of brokerage and the level of penetration is a very strong driver.

Even if there is an effect in relation to the unemployment rate and what would be the influence of this in our business. I think the positive influences of the insurance activities are much more positive, even considering this and regardless of the segment, its influence maybe negligible. So we have already gone through times when there was an increase in unemployment and the level is still very low. So I do not believe that this is going to be substantial and I understand that this is going to be an additional difficulty. But there are other opportunities that overlap the difficulties that we face in our business.

Q - Gustavo {BIO 17162944 <GO>}

All right, excellent. Thank you very much for your answers. And congratulations on your results.

Operator

(Operator Instructions) Our next question comes from Mr. Gabriel [ph] from Bradesco.

Q - Unidentified Participant

Thank you for taking another question. Now talking about property and casualty with a level that's slightly above the same quarter in 2013 even with a smaller share of the DPVAT. So could you give us more color on what is going on in this area?

A - Unidentified Speaker

Thank you for your question, Gabriel. In terms of property and casualty, we've been also adjusting our portfolio working with our partners. You've seen that there was a drop in loss ratio on the year as a whole and in terms of massify [ph] loss ratio was above the expected, because of some more severe occurrences. And that's why it did not go down so much. But we've been taking many actions in these segments in terms of corporate products and we are expecting to see an improvement this year and continue in the fall -- and the fall to continue.

As we take out a mandatory car insurance, that DPVAT the numbers change, but the main highlight is the marine segment that went very well and property. For loss ratio purposes, these are the key points, are the massify products that all having a quite significant growth as perceived by consumers, the brokers have provided extraordinary supports to these products just as they do in all other retail products that we sell. So we've had very good support from our brokers. And so we are expecting this to get better and better.

Q - Unidentified Participant

Thank you very much for answer.

Operator

As there are no further questions, I will turn the conference back over to Mr. Gabriel Portella for his closing remark.

A - Gabriel Portella Fagundes Filho {BIO 18012687 <GO>}

Thank you. I would like to extend my special thanks to the entire Sul America team for your commitment, responsibility and engagement for us to attain a record performance that we did in 2014. I would also like to thank everyone taking part in this conference call. And I'd like to wish you all a good day. Thank you very much.

Operator

The conference call of Sul America has now ended. Thank you and have a good day.