



# **Itaú Insurance**

## **Principles for Sustainable Insurance**

2013-2014 Report



Since 1921, Itaú's insurance business has been operating in the insurance sector, serving companies and individuals, and providing specific products and dedicated assistance for the most diverse sectors, such as civil construction, chemicals and petrochemicals, power generation, infrastructure, transport, aviation and others.

In the small and medium-sized enterprise segment, our objective is to offer simple, effective solutions in order to better serve our clients' needs, with emphasis on products involving asset risks and group life insurance.

For individuals, we offer individual life insurance, personal accident insurance, loan protection insurance, travel insurance, premium savings bonds and extended warranty insurance.

In line with our strategy for pursuing the sustainable performance of our business lines, we were one of the first companies to adhere to the Principles for Sustainable Insurance (PSI) in 2012. Launched by the United Nations at the Rio+20 Conference, the PSI's main purpose is to orient the insurance industry as to the evaluation of socio-environmental and governance issues in the management of its businesses.

### **Sustainability Management and Governance**

The inclusion of sustainability as a management strategy for all of our operating units depends on an active governance structure. Accordingly, in 2012 we adopted a new sustainability governance structure. Furthermore, in 2013 we created specific committees to debate, directly with our business units, several themes relevant to our sustainable performance.

One of these committees is the Insurance Specific Committee, which is comprised of a director, superintendents and managers and whose aim is to integrate sustainability initiatives into our insurance firm's business, identify possible risks and opportunities and provide business guidelines.

The progress of the initiatives and the results achieved are reported every six months to the Sustainability Committee, whose objective is to ensure implementation of the organization's sustainability strategy. (Principle 1)

### **Socio-Environmental Risk Management and Underwriting**

Our Socio-Environmental Risk Policy includes social and environmental guidelines applicable to personal insurance operations and permeates all of our business lines, considering the peculiarities of each product, service or process. It defines rules for managing activities that pose socio-environmental risks, independent of the product or service marketed, and provides general and specific risk-analysis guidelines, which take the following practices into consideration:

- Use of labor or workers under slave-like conditions
- Use of child labor or minors as workers
- Prostitution
- Socio-environmental risks tied to specific economic activities
- Contractual clauses involving social and/or environmental issues
- Specific social and environmental criteria in the underwriting of general and environmental liability insurance

The above practices are tied mainly to the most sensitive fields, which involve the production or trade of firearms, munitions and explosives; the extraction and production of lumber, firewood and charcoal originating from native forests; fishing activities; and asbestos extraction and industrialization.



In 2013, we upgraded our underwriting procedures (Underwriting Guides), our adoption of strategies for developing insurance products and contracts, and our use of procedures for training and engaging employees and stakeholders.

Specific measures were also adopted for managing the risks of general liability insurance, which provides additional coverage for exposure to sudden pollution, and of environmental liability insurance, with specific products from our Corporate Solutions department.

When cases involving noncompliance with the policy's guidelines are identified, we adopt measures such as termination of the relationship.

### **Employee Training:**

In 2013, we trained all employees directly involved in the insurance contracting process.

We also trained our employees in relation to socio-environmental issues: 338 employees from various departments underwent training related to our Socio-Environmental Risk Policy and the Principles for Sustainable Insurance.

Additionally, we held talks with specialists for our internal public, with an average of 60 participants each. Among the themes discussed were Degrading Labor; the National Solid Waste Policy; Socio-Environmental Issues in Large Infrastructure Projects; Climate Change and the Insurance Industry; Controversial Issues Involving Asbestos; and Sustainability Applied to Insurance.

Through the knowledge we acquired on the theme, it is now possible to develop new products, technologies and services that minimize socio-environmental and economic risks and orient our clients as to such issues. Carbon credits, renewable energies, forest concession strategies via sustainable management, the climatic vulnerability of agricultural crops and urban planning are opportunities for Itaú Insurance operations.

Garantec (extended warranty) also developed a program for training and engaging all employees, with emphasis on day-to-day solutions using PSI principles and case study presentations. 233 employees were introduced to the PSI theme. (Principle 1)

### **Development of Products and Services**

We developed a tool for evaluating our new products' adherence to the PSI. Itaú Insurance employees answer a questionnaire containing questions concerning the principles; at the end, the questionnaire provides a score to discover whether the product adheres to the PSI. This tool makes our employees consider and include ESG issues in new products.

Furthermore, at the end of 2013, we initiated a survey of our products' adherence to the Principles for Sustainable Insurance (PSI) and alignment with environmental, sustainability and governance (ESG) issues. Petroleum Insurance was the pilot survey.

Some of our products and practices already comply with the PSI. However, in order to reinforce this theme within our group, we created the Insurance Specific Committee, through which we elaborate plans of action and monitor PSI progress. (Principle 1)



### **Constant Monitoring – Corporate Solutions**

In 2013, we initiated a study to promote the evaluation of socio-environmental issues in the insurance lines marketed: Warranty, Liability, Property and Transport. We also created an internal portal that encompasses all sustainability-related subjects (including our Socio-Environmental Risk Policy and the PSI).

Particularly in the Environmental Liability segment, specific aspects will eventually be able to be monitored throughout the effective term of the policy and after the occurrence of an accident that has occasioned physical harm to people or material damage suffered by third parties at the insured location. The frequency of the monitoring varies according to the activity conducted, the contractual coverage and limits, the demands of the reinsurer, and actions already underway or yet to be implemented.

We can also periodically visit the insured parties. Depending on the conditions of the location and on the insured party's management of social and environmental issues, such visits can generate contractual amendments, which can then begin to be monitored. (Principle 1)

### **PSI-Related Projects:**

#### **Communication Tools in Catastrophes – Itaú 24-Hour Assistance**

The “Communication Tools in Catastrophes” project is aimed at informing clients that their insurance policy includes 24-hour customer assistance and instructing them as to how to resort to this service in emergencies. Such communication is especially important in times of vulnerability, when people need help but seldom remember to resort to the additional coverage offered by their insurance. This is one further initiative to increase transparency and strengthen client relations.

We adopt proactive measures in our communications with clients possessing Itaú Insurance products that include 24-hour assistance services. We monitor areas affected by catastrophes in Brazil and abroad, and we send text messages to the cell phones of clients that are in the affected regions, reminding them that they possess such protection and that they can count on our support. We also offer psychological support to customers and family members victimized by large-scale accidents. (Principles 1, 2 and 3)

#### **Automatic CNAE Classification**

We developed an innovative system for classifying the economic activity of companies possessing Itaú's property insurance, fortifying the product's governance. The system encompasses the 1,318 activities listed on the CNAE and features mechanisms that provide precision in the classification and acceptance of risks, in the pricing of the product and in the formation of reserves for paying the insurance. It also offers greater transparency for our clients and an indication of the coverage that best serves each company's needs.

This project's main objective was to increase the precision of our classification of the economic activities of the companies that contract our property insurance so as to correctly gauge the risks involved and consequently gain assertiveness in pricing the product and creating reserves for paying the insurance, thus

making this process more transparent for the client, improving the product's governance and minimizing risks for Itaú and for the contracting party.



The project has strengthened the governance of property insurance, one of the Brazilian insurance market's most important types of insurance. Since the pricing and consequent technical reserves depend on the activities of each company, assertive classification guarantees correct calculation of this parameter and assures the sustainability of the business. In the case of activities that Itaú refuses to insure, this tool blocks the insurance quote and displays a rejection notice, thus making the sales process more transparent. Additionally, at the very beginning of the process, it blocks the contracting of activities that pose environmental risks, correctly asserting the weight of environmental issues.

Consequently, Itaú Insurance, one of the area's largest firms, with approximately 110,000 contracted policies, contributes to the sustainability and continuous development of the segment. (Principle 1)

### **Remote Formalization of Itaú Unibanco's Life and Personal Accident Insurance**

The "Remote Formalization" Project (electronic acceptance of insurance contracts) promotes transparency and quality in the sale of Itaú Unibanco's life insurance and personal accident insurance. Clients now enjoy the option of confirming their contracting of insurance with greater convenience via ATM machines, by phone or through internet banking or mobile, using their banking passwords. The system verifies the contractual conditions and, in the case they are not in line with the customers' needs, they can refuse the offer.

Through this project, we sought to improve our processes and increase the quality of our insurance sales. The project's guiding objective was to increase customer retention and satisfaction, thus reducing the volume of insurance cancellations and the amount of complaints registered at our service centers and filed with regulatory and consumer-defense agencies.

The project's main challenge was to develop the most appropriate IT systems (interfaces and apps) for each channel (internet banking, phone, ATM and mobile), in line with the organization's rules of law, brand, marketing, risk, sustainability and other processes and policies.

Accordingly, the first step was to establish a multifunctional committee with the participation of people from various departments. Together, we defined the information to be confirmed by the customer and the parameters for "remote formalization" (electronic acceptance). For example, it was decided that, exceeding a specific amount of insured assets and in cases in which the client's profile requires risk analysis, we would continue conducting the process manually. Such cases account for only a small part of the portfolio.

Simultaneously with the development of the systems, we prepared a solid employee engagement strategy, with training and communication programs. Before the system aired, bulletins were sent out, tutorials and videos were published on the intranet, updates were made to search-pages accessed by sales managers and information was divulged on our other corporate communication channels.

The training involved the teams from our operational departments; customer-service, claims and legal departments; and branch network. In-person training was conducted in our internal departments. In our commercial departments, it occurred at meetings at our regional superintendence offices, which unite a specific number of branches.

Implementation of the tool began in April 2013, being conducted in stages. In the first week, the system aired at ten branches; in the second, at over ten; and in the third, in the regions of São Paulo and Rio de Janeiro. On May 1, it came into effect throughout Brazil. Since then, the contracting of life and personal

accident insurance requires customers to remotely formalize the insurance they are contracting if they are not at a branch. (Principle 1)



### **Repositioning of the Itaú PIC: Greater transparency in communication**

Itaú repositioned its capitalization plan (PIC), migrating it from the list of investments to the realm of chance, with total transparency in relation to communications concerning the product's attributes. The conditions of the offer began being massively informed at the time of sale: customers now know they are buying a product that does not offer profitability but rather the possibility of participating in lotteries and getting back what they paid.

Our objective with the project was to discover an identity for the PIC that could express the attributes of capitalization in the clearest possible manner for our customers and sales force. More than differentiating ourselves from the market, we sought to improve the quality of our sales, thus reducing our customers' dissatisfaction and the consequent volume of product complaints made to our service centers and at to consumer defense agencies.

The PIC enjoys a significant share of our retail client portfolio and thus has great potential for forming opinions and influencing the dynamics of our client relations. Their dissatisfaction could lead them to avoid other products or even migrate to our competitors. We believe that transparency in communication is the best way to keep our customers with us for a longer time. (Principle 1)

### **Itaú Travel Insurance**

Itaú Travel Insurance was the first to offer protection for travelers via internet banking, cell phones and tablets. It was also a pioneer in exclusive services – without age limits, cuts in premiums or coverage restrictions – for the aged, pregnant women and sports enthusiasts. Betting on innovation, in three years it achieved 25% of the volume of premiums retained in the market, currently holding the status of Brazil's leading travel insurance. In addition to being inclusive, it reduces bureaucracy, paper consumption and printer ink.

Our travel insurance was designed from the customer's viewpoint, seeking to facilitate contracting processes and access to the product on the part of people that are used to paying more and that are often prevented from contracting travel insurance due to their age profile, their pregnancy situation or the activity they conduct, thus ending up without protection.

Ever since we created this product, our central aim has been to offer the best services and complete coverage for the most diverse segments of society, without costing extra. Adopting digital processes makes this viable, for it reduces costs, thus making it possible to achieve this objective. In addition to being inclusive, it benefits the environment, since it reduces paper consumption and printing. It is one further initiative to make Itaú Insurance and Itaú Unibanco products increasingly aligned with the challenges of sustainable development.

Contracting by electronic means already responds for 30% of Itaú Travel Insurance policies today. This process provides an 82% reduction in the product's sales cost in comparison with sales made by the bank's branch manager, thus enabling us to offer differentiated, exclusive coverage, without additional costs or restrictions for accepting clients.

One statistic that demonstrates how this occurs in practice is the percentage of elderly people in our portfolio: On the average, people over 60 years of age respond for 21% of the insurance sold in 2013. Over 81 years of age, the average is 2% of the total.



Another important result is the high level of satisfaction of customers that make use of our services and coverage. In contrast with what is normally observed in the area of customer service, in which there is a predominance of complaints, our clients frequently resort to Itaú Travel Insurance service channels to praise us.

The environmental benefits are also considerable: Compared to the conventional process, the digital process provides an estimated reduction of 10,000 sheets of paper monthly, considering that electronic channels represent 30% of our current sales volume, which is around 3000 policies monthly. (Principles 1 and 2)

### **Claim Payment Waiting Time**

Considering the ESG issues in our operations, the Life Insurance Claims and Property Insurance Claims departments have been taking steps to make our relationship with the Insured as transparent as possible at the critical moment of an accident, facilitating Insured-Insurer contact, with clear, objective information and constant improvement of our processes.

We have been focusing our efforts on accelerating the analysis procedures, aiming at reducing the waiting time for claim payments.

In January 2013, the average waiting time for payments for the aforementioned operations was 20 calendar days from the date of communicating the claim. Today, we have reduced this time by 50%, with an average waiting time of 10 calendar days.

Approximately 80,000 claims are paid annually, involving over R\$ 1 billion. (Principles 1, 2 and 3)

### **Extended Warranty Insurance**

As to Extended Warranty Insurance, we have observed a 26% increase in the collection of salvageable material removed from tech service centers and customers' homes, thus minimizing the possibility of improper disposal of these products in the environment.

Among the regions with fixed salvage-collection routes, we highlight the increase in Brazil's northeastern and southern regions, as well as intensification in São Paulo, Rio de Janeiro and Minas Gerais. In Brazil's other regions, the collection model is in accordance with the requests of the tech service centers and customers.

The sustainable disposal process progressed intensely in our operations between 2013 and 2014. Five tons of solid waste had already been properly disposed of by April of this year. Among the waste items, we highlight TV tubes, monitors, wire, plastic parts and electronic parts. (Principles 1, 2 and 3)

### **Transparency in our Communications**

In 2014, we continue to focus on the improvement of our processes to offer products that are more appropriate to the needs of our customers, with information that is clearer and more objective.

The work of engaging our teams also enjoyed continuity in 2014, with the creation of working groups focused on projects aimed at contributing to the construction of an increasingly efficient operation for serving our clients. (Principle 1)



**Insurance campaign:**

On 02/26/2014, a campaign aired with the aim of sensitizing people as to the importance of being protected. The concept of the film and of the other pieces of the campaign was “Itaú Insurance: Protect what you really care about.”

For more information about our sustainability strategy, please visit our website: [www.itaubr.com.br/relatorioanual](http://www.itaubr.com.br/relatorioanual).