



Terra Report

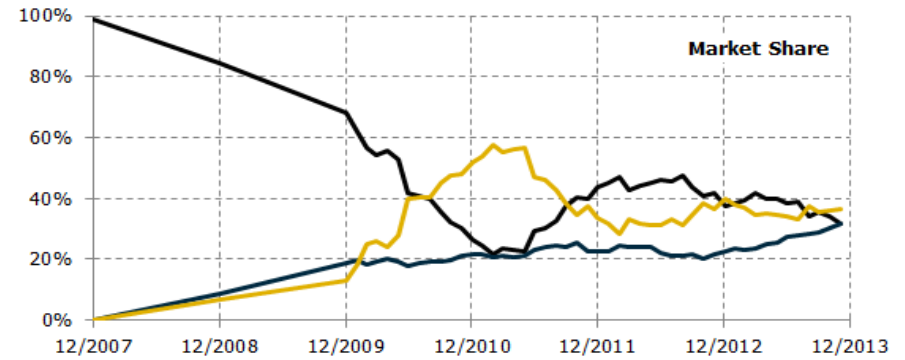
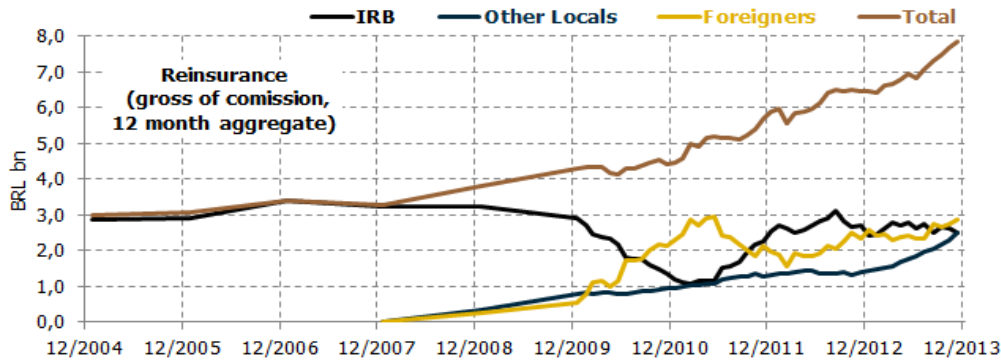
Publication on the Brazilian Reinsurance Market
Analysis Preview of 2013 Results



Summary

- **Reinsurance ceded by Brazilian insurers continues to show at an accelerated rate and the portion directed to local reinsurers even a higher figure.**
- For the 12 months ending on November 2013, based on the latest available data from Susep:
 - Reinsurance volume ceded by Brazilian insurers (gross of commission) was BRL 7.84bn, **an increase of 21.1%** over the same period of the previous year.
 - Reinsurance volume (gross of commission) placed on local reinsurers was BRL 4.99bn, **an increase of 28.6%**.
 - **Local reinsurers held a market share of 64%** (IRB 32% and other locals 32%) and foreign reinsurers 36%
- **The concerns expressed on the last edition of Terra Report regarding the results of local reinsurers materialized, with the increase of the last quarter's Combined Ratio pressuring negatively the local reinsurance market result.**
- From January to December 2013, based on the financial statements published on newspapers:
- De Janeiro a Dezembro de 2013, com base nas Demonstrações Financeiras publicadas em jornais:
 - The Loss Ratio of the local reinsurance market stood at 88% (87% for the IRB and 90% of the other local reinsurers).
 - The Combined Ratio finished the year at 103% (92% for the IRB and 122% for the other local reinsurers)
 - The Local reinsurer local Market net profit, which stood at BRL504m in 2012, fell to BRL271m in 2013 (a profit of BRL349m for the IRB and **a loss of BRL78m for the other local reinsurers**)

Summary of Premium Flows:



Gross Reinsurance ceded by Brazilian Insurers (gross of commission):

	12m ending						
	2013/11	2012	2011	2010	2009	2008	2007
to IRB	2.505	2.419	2.562	1.181	2.915	3.219	3.224
to other Local Reinsurers	2.489	1.459	1.331	967	806	329	
Total Local Market	4.994	3.878	3.894	2.148	3.721	3.548	3.224
to insurers from abroad	2.854	2.588	1.984	2.310	565	254	
Total	7.848	6.466	5.878	4.458	4.286	3.802	3.224

Market Share of Ceded Reinsurance by Brazilian Insurers (gross commission):

	12m ending						
	2013/11	2012	2011	2010	2009	2008	2007
IRB	32%	37%	43%	26%	68%	85%	100%
Other Local Reinsurers	32%	23%	23%	22%	19%	9%	0%
Foreigner Reinsurers	36%	40%	34%	52%	13%	7%	0%
Total ceded by local cedants	100%	100%	100%	100%	100%	100%	100%

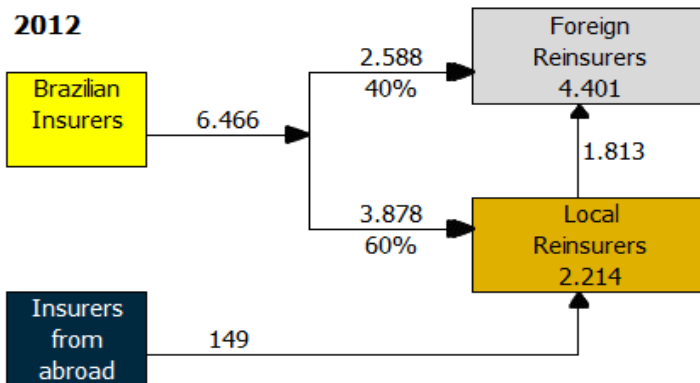
Gross Reinsurance accepted by Local Reinsurers (gross of commission):

	12m ending						
	2013/11	2012	2011	2010	2009	2008	2007
from Brazilian Insurers	4.994	3.878	3.894	2.148	3.721	3.548	3.224
from foreign Insurers	194	149	81	119	84	31	22
Gross Reinsurance Premium	5.188	4.027	3.975	2.267	3.805	3.578	3.246
Retrocession	2.216	1.813	2.187	916	1.845	1.937	1.641
Net Retained Premium	2.972	2.214	1.788	1.351	1.960	1.642	1.605

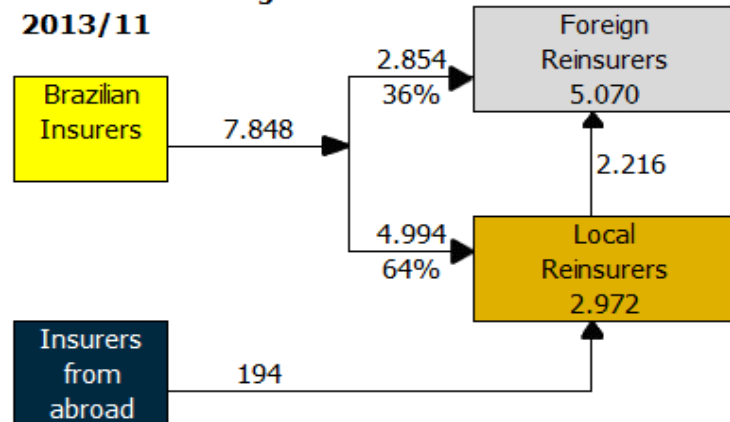
Market Share between Local Reinsurers (gross of commission):

	12m ending						
	2013/11	2012	2011	2010	2009	2008	2007
IRB	50%	62%	66%	55%	78%	91%	100%
Other Local Reinsurers	50%	38%	34%	45%	22%	9%	0%
Total placed in the local market	100%	100%	100%	100%	100%	100%	100%

2012



12-months ending 2013/11



Summary of 2013 Results:

	Consolidated Local Reinsurers		IRB		Other Local Reinsurers	
	2013/12	2012/12	2013/12	2012/12	2013/12	2012/12
Total Assets	18.978	16.239	12.157	11.346	6.820	4.893
Shareholder's Equity	4.963	4.558	2.668	2.523	2.295	2.034
Written Premium	4.862	3.673	2.697	2.409	2.164	1.265
Earned Premium	4.138	2.976	2.618	1.851	1.520	1.125
Loss Ratio	88%	90%	87%	90%	90%	90%
Commercial Expenses/ Earned Premium	3%	6%	3%	3%	3%	11%
Administrative + Other/ Earned Premium	10%	13%	8%	14%	12%	10%
Tax/ Earned Premium	0%	3%	-2%	3%	4%	3%
Retrocession Result/Earned Premium	2%	-7%	-4%	-4%	13%	-13%
Combined Ratio	103%	104%	92%	106%	122%	101%
Reinsurance Operational Result	-130	-128	203	-113	-332	-15
Financial Result and Equity Pick-up	657	832	426	641	230	192
Income Tax and Contributions	-257	-201	-280	-130	24	-71
New Profit for the Period	271	504	349	397	-78	106

Source: Financial Statements published in newspapers, Terra Brasis Resseguros. Numbers in BRL million.

Local Reinsurer's Results for 2013:

	Start of Operation	Net Premium	Earned Premium	% L	% B	%OE	%AE	%TE	%ER	%RR	%CR	RSub	RSub /SE	RInv	RInv /SE	RGro	RNet	RGro /SE	ROE	SE
Total		4.862	4.138	88%	3%	2%	7%	0%	12%	2%	103%	-130	-3%	654	13%	525	271	10,6%	5,5%	4.963
Total New		2.164	1.520	90%	2%	1%	11%	4%	18%	13%	122%	-332	-14%	231	10%	-101	-78	-4,4%	-3,4%	2.295
IRB	04/1939	2.697	2.618	87%	3%	3%	5%	-2%	9%	-4%	92%	203	8%	423	16%	626	349	23,5%	13,1%	2.668
JM	05/2008	162	127	32%	0%	10%	11%	3%	24%	49%	106%	-7	-1%	41	6%	34	20	5,3%	3,1%	640
Munnecker	05/2008	371	351	123%	4%	0%	11%	4%	18%	-6%	135%	-124	-110%	46	40%	-78	-50	-69,2%	-44,5%	113
Mapfre	11/2008	239	259	67%	1%	0%	3%	4%	8%	28%	102%	-6	-5%	20	17%	14	10	11,8%	8,8%	119
XL	12/2008	81	85	142%	3%	-3%	7%	4%	10%	4%	157%	-48	-20%	29	12%	-19	-12	-7,9%	-4,7%	244
ACE	11/2009	198	179	80%	-1%	1%	3%	5%	7%	23%	110%	-17	-14%	14	11%	-3	-2	-2,5%	-1,8%	122
Austral	01/2011	244	181	87%	2%	1%	6%	3%	12%	4%	102%	-4	-3%	11	8%	7	5	5,2%	3,4%	136
AIG	04/2011	62	38	66%	22%	0%	20%	5%	47%	7%	120%	-7	-9%	5	7%	-2	-2	-2,5%	-2,4%	79
Zurich	01/2012	338	147	88%	0%	0%	2%	4%	7%	17%	112%	-18	-18%	14	14%	-4	-3	-3,9%	-2,5%	100
Markel	01/2012	48	19	147%	4%	0%	43%	8%	56%	6%	208%	-21	-31%	7	11%	-13	-14	-19,8%	-21,4%	68
Swiss	06/2012	101	47	76%	5%	2%	53%	8%	68%	19%	164%	-30	-31%	10	10%	-20	-21	-21,1%	-21,5%	97
Terra Brasis	10/2012	18	8	92%	10%	0%	118%	7%	135%	32%	259%	-12	-13%	8	8%	-4	-3	-4,3%	-2,6%	96
Allianz	12/2012	254	76	99%	3%	0%	47%	5%	55%	-5%	149%	-37	-32%	9	8%	-28	-17	-23,9%	-14,5%	117
BTG	02/2013	50	3	22%	0%	0%	7%	19%	26%	72%	121%	-1	-0%	17	5%	16	10	4,5%	2,7%	363

Total New : All reinsurers except IRB

Gross Prem. : Gross Written Premium (BRL)

% Com : Commission paid to Cedants

Net Premium : Net Written Premium (BRL)

Earned Premium : Earned Premium (BRL)

% L : Losses

% B : Brokerage

%OE : Other Expenses

RInv/SE : Annualized Investment Result / Net end-of-period Shareholder's Equity

RGro : Gross Result (RSub + RInv)

RNet : Net Result (RGro minus income tax, social contributions and profit sharing)

SE : End of Period Net Shareholder's Equity

RGro/SE : Gross Result / Shareholder's Equity

ROE : Return on Equity (before Income Tax, Social Contributions, Profit Sharing)

%SOLV : Solvency Margin, End-of-period SE/Annualized Gross Written Premium

%AE : Administrative Expenses

%TE : Tax Expenses

%ER : Expense Ratio (%B + %OD + %DA)

%RR : Retrocession Result

%CR : Combined Ratio (%S+%ER+%RR)

RSub : Subscription Result

RSub/SE : Annualized Subscription Result / Net end-of-period Shareholder's Equity

RInv : Investment Result plus non-recurring gains and equity pickup