



Terra Report

Publication on the Brazilian Reinsurance Market

Analysis Preview of June 2015 Results



Summary

SUSEP completed the disclosure of the Local Reinsurers' 2015 first semester results. In the next few days we will release the complete Terra Report edition. In this preview we are anticipating the following highlights

For the first semester of 2015:

- Reinsurance volume ceded by Brazilian insurers (gross of commission) reached BRL 4.41bn, an increase of 3.7% in relation to R\$ 4.25 bn of the same period of 2014.
- Under the same criteria, the volume of reinsurance (gross of commission) written by IRB was 81% higher than that of the previous year, other local reinsurers showed a 23% growth. In the same period, the reinsurance written (gross of commission) by foreigner reinsurer (Admitted and Occasional licensed) dropped by 57%.
- The volume accepted from insurers abroad went from R\$ 48.5 million to R\$ 192.4 million, an expressive growth of 297%, which demonstrates the internationalization strategy of some Local Reinsurers.
- The Loss Ratio of all Local Reinsurers combined reached 85% (123% excluding IRB) against 60% (70% excluding IRB) registered in the same period of the previous year, demonstrating a significant worsening.
- The Combined Ratio of all Local Reinsurers finished the first half of the year at 101% (95% registered in the same period of the previous year), a situation that causes concern as it is benefited by the positive results obtained in the retrocession operations of many companies, something not be sustainable in the long term.

Summary of Results and Main Indexes for Local Reinsurers of January to June 2015 and 2014

	Consolidated Local Reinsurers		IRB		Other Local Reinsurers	
	2015/06	2014/06	2015/06	2014/06	2015/06	2014/06
Total Assets	24.218	18.954	13.716	11.545	10.503	7.409
Shareholder's Equity	6.036	5.150	2.945	2.762	3.091	2.388
Gross Written Premium	3.853	2.559	1.929	1.025	1.924	1.535
Written Premium	3.324	2.204	1.760	953	1.563	1.251
Earned Premium	3.099	2.367	1.695	1.304	1.404	1.063
Loss Ratio	85%	60%	54%	51%	123%	70%
Commercial Expenses/ Earned Premium	2%	2%	3%	2%	1%	1%
Administrative + Other/ Earned Premium	11%	12%	10%	14%	13%	10%
Tax/ Earned Premium	3%	3%	3%	2%	4%	4%
Retrocession Result/Earned Premium	-1%	18%	26%	16%	-33%	21%
Combined Ratio	101%	95%	96%	85%	107%	106%
Reinsurance Operational Result	-29	129	74	192	-103	-63
Financial Result and Equity Pick-up	699	383	422	220	277	163
Income Tax and Contributions	-225	-207	-154	-156	-71	-51
Net Profit for the Period	445	305	342	257	103	48
<i>ROE (annualized)</i>	<i>14,8%</i>	<i>12,1%</i>	<i>23,2%</i>	<i>18,9%</i>	<i>6,7%</i>	<i>4,1%</i>

Source: Susep, Terra Brasis Re

Note: AXA's figures from January to May 2015

Comparative January to June 2015 and 2014

		Written Premium (WP)		Net Profit		Market Share WP			
		jun/15	jun/14	jun/15	jun/14	jun/15		jun/14	
Total	Start of	3.324	2.204	445	305	100,0%		100,0%	
Other Locals	Operation	1.563	1.251	103	48	100,0%		100,0%	
IRB	Apr 03, 1939	1.760	953	342	257	53,0%		43,2%	
JM	May 23, 2008	86	60	28	20	2,6%	5,5%	2,7%	4,8%
Munich	May 23, 2008	153	209	2	22	4,6%	9,8%	9,5%	16,7%
Mapfre	Nov 14, 2008	78	133	9	7	2,3%	5,0%	6,0%	10,6%
XL	Dec 05, 2008	20	28	9	10	0,6%	1,3%	1,3%	2,3%
ACE	Nov 25, 2009	81	82	4	14	2,4%	5,2%	3,7%	6,6%
Austral	Jan 31, 2011	234	119	17	3	7,1%	15,0%	5,4%	9,5%
AIG	Apr 04, 2011	64	32	7	-2	1,9%	4,1%	1,5%	2,6%
Zurich	Jan 05, 2012	388	259	6	-10	11,7%	24,8%	11,7%	20,7%
Markel	Jan 17, 2012	3	1	-7	-5	0,1%	0,2%	0,0%	0,0%
Swiss	Jun 14, 2012	90	100	8	-9	2,7%	5,7%	4,5%	8,0%
Terra Brasis	Oct 04, 2012	44	31	1	1	1,3%	2,8%	1,4%	2,5%
Allianz	Dec 05, 2008	240	155	10	-14	7,2%	15,4%	7,0%	12,3%
BTG	Feb 26, 2013	27	43	14	10	0,8%	1,7%	1,9%	3,4%
Scor	Aug 06, 2014	48		-3		1,5%	3,1%	0,0%	0,0%
AXA⁽¹⁾	Aug 25, 2014	7		-3		0,2%	0,5%	0,0%	0,0%

Source: Susep, Terra Brasis Resseguros

Note: Figures in R\$ Million; Figures from January to May 2015

Main Ratios From Local Reinsurers from January to June of 2015 and 2014

January to June 2015	Start of Operation	Gross Prem.	% Com	Net Premium	Earned Premium	% S	% B	%OD	%DA	%T	%ER	%RR	%CR	RSub	RSub /SE	RInv	RInv /SE	RGro	RNet	RGro /SE	ROE	SE	%SLV
Total		3.853	13,7%	3.324	3.099	85%	2%	3%	8%	3%	17%	-1%	101%	-29	-1%	699	23%	670	445	11,1%	7,4%	6.036	78%
Total New		1.924	18,8%	1.563	1.404	123%	1%	4%	9%	4%	18%	-33%	107%	-103	-7%	277	18%	174	103	5,6%	3,3%	3.091	80%
IRB	04/1939	1.929	8,7%	1.760	1.695	54%	3%	2%	8%	3%	15%	26%	96%	74	5%	422	29%	496	342	16,9%	11,6%	2.945	76%
JM	05/2008	134	35,7%	86	69	40%	0%	13%	7%	4%	25%	28%	94%	4	1%	43	12%	48	28	6,8%	4,0%	703	263%
Munich	05/2008	181	15,8%	153	154	90%	2%	1%	12%	5%	21%	17%	127%	-42	-28%	48	31%	6	2	1,8%	0,6%	304	84%
Mapfre	11/2008	97	19,7%	78	72	105%	1%	4%	6%	8%	18%	-19%	105%	-4	-5%	19	26%	15	9	10,7%	6,3%	141	73%
XL	12/2008	25	19,2%	20	28	74%	2%	0%	9%	7%	18%	10%	103%	-1	-1%	16	12%	15	9	5,5%	3,3%	275	557%
ACE	11/2009	110	26,6%	81	79	136%	-2%	0%	12%	4%	14%	-44%	106%	-5	-11%	11	25%	6	4	7,3%	5,2%	85	39%
Austral	01/2011	304	22,9%	234	228	88%	2%	19%	2%	3%	26%	-18%	96%	8	7%	22	18%	30	17	12,2%	6,8%	246	40%
AIG	04/2011	77	16,9%	64	55	153%	0%	1%	6%	6%	14%	-72%	95%	3	6%	9	21%	12	7	13,7%	8,1%	88	57%
Zurich	01/2012	462	16,1%	388	313	108%	0%	0%	1%	3%	3%	-7%	104%	-13	-17%	22	29%	9	6	6,0%	4,2%	151	16%
Markel	01/2012	3	-10,4%	3	13	122%	4%	0%	56%	7%	67%	3%	192%	-12	-34%	6	17%	-6	-7	-8,0%	-9,1%	74	1184%
Swiss	06/2012	114	21,7%	90	76	135%	3%	0%	18%	5%	26%	-55%	107%	-5	-7%	15	22%	10	8	7,5%	5,4%	139	61%
Terra Brasis	10/2012	54	18,3%	44	32	77%	3%	0%	16%	5%	25%	17%	118%	-6	-11%	7	15%	2	1	1,6%	0,9%	100	92%
Allianz	12/2012	257	6,5%	240	222	248%	3%	-2%	10%	2%	13%	-158%	103%	-7	-7%	20	20%	13	10	6,5%	4,8%	201	39%
BTG	02/2013	42	35,7%	27	24	-2%	0%	12%	37%	6%	55%	69%	123%	-6	-3%	28	14%	23	14	5,7%	3,5%	99	472%
Scor	08/2014	56	14,4%	48	36	100%	0%	0%	22%	6%	27%	2%	129%	-10	-21%	6	12%	-5	-3	-4,5%	-2,7%	398	88%
AXA⁽¹⁾	08/2014	7	0,7%	7	4	40%	15%	0%	233%	12%	260%	37%	338%	-9	-20%	4	9%	-5	-3	-5,4%	-3,3%	87	599%

January to June 2014	Start of Operation	Gross Prem.	% Com	Net Premium	Earned Premium	% S	% B	%OD	%DA	%T	%ER	%RR	%CR	RSub	RSub /SE	RInv	RInv /SE	RGro	RNet	RGro /SE	ROE	SE	%SLV
Total		2.559	13,9%	2.204	2.367	60%	2%	3%	9%	3%	16%	18%	95%	129	5%	383	15%	512	305	9,9%	5,9%	5.150	101%
Total New		1.535	18,5%	1.251	1.063	70%	1%	1%	8%	4%	15%	21%	106%	-63	-5%	163	14%	99	48	4,2%	2,0%	2.388	78%
IRB	04/1939	1.025	7,0%	953	1.304	51%	2%	5%	9%	2%	18%	16%	85%	192	14%	220	16%	412	257	14,9%	9,3%	2.762	135%
JM	05/2008	90	32,9%	60	69	28%	0%	14%	8%	3%	25%	42%	95%	3	1%	31	10%	35	20	5,3%	3,1%	661	368%
Munich	05/2008	240	12,9%	209	166	68%	3%	0%	12%	4%	18%	3%	90%	17	25%	22	33%	39	22	29,0%	16,5%	136	28%
Mapfre	11/2008	153	13,2%	133	118	56%	1%	1%	3%	4%	9%	37%	101%	-2	-3%	14	22%	12	7	9,5%	5,5%	125	41%
XL	12/2008	31	9,5%	28	38	98%	3%	0%	5%	5%	12%	-4%	106%	-2	-2%	19	15%	17	10	6,5%	3,9%	254	406%
ACE	11/2009	112	26,6%	82	82	52%	-3%	0%	3%	5%	6%	32%	90%	9	13%	11	16%	19	14	14,3%	10,7%	134	60%
Austral	01/2011	161	26,4%	119	117	78%	2%	0%	4%	3%	10%	13%	101%	-1	-2%	8	11%	7	3	4,7%	2,4%	142	44%
AIG	04/2011	40	19,7%	32	21	85%	0%	0%	21%	6%	26%	18%	129%	-6	-16%	4	10%	-2	-2	-3,1%	-2,1%	77	96%
Zurich	01/2012	306	15,5%	259	189	88%	0%	0%	1%	3%	4%	18%	110%	-19	-42%	11	24%	-8	-10	-9,2%	-11,0%	91	15%
Markel	01/2012	5	88,7%	1	15	103%	4%	0%	36%	8%	48%	4%	155%	-8	-24%	4	12%	-4	-5	-6,1%	-7,8%	69	703%
Swiss	06/2012	117	14,6%	100	63	67%	4%	1%	16%	5%	26%	30%	124%	-15	-25%	6	10%	-9	-9	-7,2%	-7,5%	122	52%
Terra Brasis	10/2012	38	18,0%	31	13	62%	5%	0%	36%	4%	46%	24%	132%	-4	-9%	6	12%	1	1	1,5%	0,9%	97	128%
Allianz	12/2012	181	14,4%	155	162	78%	2%	1%	11%	4%	18%	21%	117%	-28	-53%	6	11%	-23	-14	-21,4%	-13,0%	106	29%
BTG	02/2013	60	29,1%	43	8	9%	0%	0%	67%	6%	73%	86%	168%	-5	-3%	21	11%	16	10	4,3%	2,6%	373	308%

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
%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
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 Reinsurance

Local Reinsurers January to June 2015 results

Company	Start of Operation	jun/15	January to June 2015					jun/15	jun/14	
		Shareholder's Equity	Gross Written Premium	Written Premium	Earned Premium	Reinsurance Operational Result	Financial Result	Gross Profit	Net Profit	
	IRB Apr 03, 1939	2.945	1.929	1.760	1.695	74	422	496	342	257
	JM May 23, 2008	703	134	86	69	4	43	48	28	20
	Munich May 23, 2008	304	181	153	154	-42	48	6	2	22
	Mapfre Nov 14, 2008	141	97	78	72	-4	19	15	9	7
	XL Dec 05, 2008	275	25	20	28	-1	16	15	9	10
	ACE Nov 25, 2009	85	110	81	79	-5	11	6	4	14
	Austral Jan 31, 2011	246	304	234	228	8	22	30	17	3
	AIG Apr 04, 2011	88	77	64	55	3	9	12	7	-2
	Zurich Jan 05, 2012	151	462	388	313	-13	22	9	6	-10
	Markel Jan 17, 2012	74	3	3	13	-12	6	-6	-7	-5
	Swiss Jun 14, 2012	139	114	90	76	-5	15	10	8	-9
	Terra Brasis Oct 04, 2012	100	54	44	32	-6	7	2	1	1
	Allianz Dec 05, 2008	201	257	240	222	-7	20	13	10	-14
	BTG Feb 26, 2013	398	42	27	24	-6	28	23	14	10
	Scor Aug 06, 2014	99	56	48	36	-10	6	-5	-3	
	AXA ⁽¹⁾ Aug 25, 2014	87	7	7	4	-9	4	-5	-3	
	Total Locais	6.036	3.853	3.324	3.099	-29	699	670	445	305
	Total without IRB	3.091	1.924	1.563	1.404	-103	277	174	103	48

Source: Susep, Terra Brasis Resseguros

Note: Figures in R\$ Million; Figures from January to May 2015