



Terra Report

Publication on the Brazilian Reinsurance Market

Analysis Preview of September 2015 Results



Summary

SUSEP completed the disclosure of the Local Reinsurers' 2015 third quarter 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 nine months of 2015:

- Reinsurance volume ceded by Brazilian insurers (gross of commission) reached BRL 7.62bn, an increase of 11.1% in relation to R\$ 6.84bn of the same period of 2014.
- Under the same criteria, the volume of reinsurance (gross of commission) written by IRB was 29% higher than that of the previous year, other local reinsurers showed a 22% growth. In the same period, the reinsurance written (gross of commission) by foreigner reinsurer (Admitted and Occasional licensed) dropped by 15%.
- The volume accepted from insurers abroad went from R\$ 124.4 million to R\$ 412.7 million, an expressive growth of 232%, which demonstrates the internationalization strategy of some Local Reinsurers.
- The Loss Ratio reached 80% and the Combined Ratio 102%, against 75% and 100%, respectively, in the same period of the previous year, showing a slight worsening of these ratios in the period analyzed.
- The Local Reinsurer Market net profit was R\$ 696 million (R\$ 549 million to IRB) against R\$ 386 million (R\$ 327 million to IRB) in the same period of 2014. With this numbers, the R.O.E (Return on Equity) annualized of all Local Reinsurers was 15.3% (24.2% IRB and 6.4% to the other local reinsurers). In the same period of 2014, the R.O.E was 9.8% (15.9% IRB and 3.2% to the other local reinsurers).
- In spite of slight technical result deterioration, the improvement in the net profit was driven by the excellent Investment Result presented by the local reinsurers in the first nine months of 2015.

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

	Consolidated Local Reinsurers		IRB		Other Local Reinsurers	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Total Assets	25.828	20.886	14.775	12.570	11.052	8.315
Shareholder's Equity	6.147	5.508	3.103	2.827	3.044	2.681
Gross Written Premium	5.982	4.571	2.946	2.142	3.035	2.429
Written Premium	5.156	3.895	2.662	1.911	2.494	1.985
Earned Premium	4.829	3.763	2.639	2.106	2.191	1.656
Loss Ratio	80%	75%	57%	73%	106%	77%
Commercial Expenses/ Earned Premium	3%	2%	3%	3%	2%	1%
Administrative + Other/ Earned Premium	10%	11%	9%	12%	11%	10%
Tax/ Earned Premium	3%	3%	2%	2%	4%	4%
Retrocession Result/Earned Premium	7%	9%	23%	2%	-13%	17%
Combined Ratio	102%	100%	94%	93%	110%	109%
Reinsurance Operational Result	-77	9	145	158	-223	-149
Financial Result and Equity Pick-up	1.135	648	634	365	500	283
Income Tax and Contributions	-361	-271	-230	-196	-131	-75
Net Profit for the Period	696	386	549	327	147	59
<i>ROE (annualized)</i>	<i>15,3%</i>	<i>9,8%</i>	<i>24,2%</i>	<i>15,9%</i>	<i>6,4%</i>	<i>3,2%</i>

Source: Susep, Terra Brasis Re

Comparative January to September 2015 and 2014:

		Written Premium (WP)		Net Profit		Market Share WP			
		Sep 2015	Sep 2014	Sep 2015	Sep 2014	Sep 2015		Sep 2014	
Total	Start of	5.156	3.895	696	386	100,0%		100,0%	
Other Locals	Operation	2.494	1.985	147	59	100,0%		100,0%	
IRB	Apr 03, 1939	2.662	1.911	549	327	51,6%		49,0%	
JM	May 23, 2008	118	101	41	33	2,3%	4,7%	2,6%	5,1%
Munich	May 23, 2008	278	262	-2	24	5,4%	11,2%	6,7%	13,2%
Mapfre	Nov 14, 2008	116	176	19	12	2,2%	4,6%	4,5%	8,9%
XL	Dec 05, 2008	29	41	11	14	0,6%	1,2%	1,0%	2,1%
ACE	Nov 25, 2009	146	124	-6	16	2,8%	5,9%	3,2%	6,3%
Austral	Jan 31, 2011	350	190	31	10	6,8%	14,0%	4,9%	9,6%
AIG	Apr 04, 2011	94	57	10	-2	1,8%	3,8%	1,5%	2,9%
Zurich	Jan 05, 2012	498	412	-	-11	9,7%	20,0%	10,6%	20,8%
Markel	Jan 17, 2012	10	14	-10	-5	0,2%	0,4%	0,4%	0,7%
Swiss	Jun 14, 2012	171	158	-8	-24	3,3%	6,9%	4,0%	7,9%
Terra Brasis	Oct 04, 2012	70	49	3	1	1,4%	2,8%	1,2%	2,4%
Allianz	Dec 05, 2008	318	314	40	-20	6,2%	12,8%	8,1%	15,8%
BTG	Feb 26, 2013	161	87	23	16	3,1%	6,5%	2,2%	4,4%
Scor	Aug 06, 2014	96		-2	2	1,9%	3,8%	0,0%	0,0%
AXA	Aug 25, 2014	39		-5	-7	0,8%	1,6%	0,0%	0,0%

Source: Susep, Terra Brasis Re

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

January to September 2015	Start of Operation	Gross Prem.	% Com	Net Premium	Earned Premium	% L	% B	%OE	%AE	%TE	%ER	%CR pre RR	%RR	%CR	RSub	RSub /SE	RInv	RInv /SE	RGro	RNet	RGro /SE	ROE	SE	%SLV
Total		5.982	13,8%	5.156	4.829	80%	3%	3%	6%	3%	15%	95%	7%	102%	-77	-2%	1.135	25%	1.057	696	17,2%	11,3%	6.147	77%
Total New		3.035	17,8%	2.494	2.191	106%	2%	4%	7%	4%	17%	123%	-13%	110%	-223	-10%	500	22%	277	147	9,1%	4,8%	3.044	75%
IRB	04/1939	2.946	9,6%	2.662	2.639	57%	3%	3%	6%	2%	14%	72%	23%	94%	145	6%	634	27%	780	549	25,1%	17,7%	3.103	79%
JM	05/2008	186	36,6%	118	106	45%	0%	2%	7%	4%	12%	57%	35%	92%	8	1%	68	13%	76	41	10,6%	5,7%	716	289%
Munich	05/2008	329	15,4%	278	253	94%	3%	3%	11%	5%	22%	116%	26%	142%	-107	-47%	106	47%	-1	-2	-0,3%	-0,8%	300	68%
Mapfre	11/2008	143	18,8%	116	104	90%	1%	3%	6%	5%	15%	105%	-3%	102%	-2	-2%	34	30%	32	19	21,3%	12,6%	151	80%
XL	12/2008	36	20,1%	29	35	94%	2%	0%	9%	7%	19%	114%	9%	122%	-8	-4%	26	13%	19	11	6,7%	4,0%	277	570%
ACE	11/2009	184	20,4%	146	119	127%	0%	-1%	11%	3%	13%	140%	-20%	120%	-24	-43%	18	32%	-6	-6	-7,9%	-7,6%	74	30%
Austral	01/2011	440	20,4%	350	343	70%	2%	22%	3%	3%	30%	100%	-3%	97%	11	6%	45	23%	56	31	21,6%	12,0%	257	44%
AIG	04/2011	111	15,1%	94	83	145%	0%	1%	8%	5%	13%	158%	-60%	99%	1	2%	16	24%	18	10	19,3%	11,5%	91	62%
Zurich	01/2012	605	17,7%	498	473	110%	0%	0%	1%	3%	4%	114%	-6%	108%	-36	-35%	37	36%	1	-	0,6%	-0,2%	135	17%
Markel	01/2012	13	20,0%	10	20	127%	4%	0%	53%	7%	64%	191%	4%	195%	-19	-36%	11	20%	-8	-10	-12,2%	-13,7%	70	401%
Swiss	06/2012	209	18,4%	171	156	120%	6%	0%	12%	3%	21%	140%	-23%	118%	-27	-31%	21	24%	-6	-8	-5,1%	-6,8%	118	42%
Terra Brasis	10/2012	85	17,9%	70	51	71%	3%	0%	16%	5%	25%	95%	17%	112%	-6	-8%	12	16%	6	3	5,7%	3,3%	102	90%
Allianz	12/2012	347	8,2%	318	338	169%	3%	-1%	1%	2%	4%	174%	-80%	94%	21	13%	43	28%	64	40	30,4%	19,1%	210	46%
BTG	02/2013	199	19,3%	161	39	3%	0%	12%	31%	7%	50%	52%	62%	114%	-6	-2%	45	17%	39	23	11,0%	6,6%	358	135%
Scor	08/2014	109	11,8%	96	57	98%	0%	0%	19%	5%	25%	123%	0%	123%	-13	-17%	10	13%	-3	-2	-3,1%	-1,9%	99	69%
AXA	08/2014	41	3,7%	39	14	49%	9%	0%	124%	8%	140%	189%	28%	217%	-16	-25%	8	12%	-8	-5	-9,5%	-5,8%	85	158%

January to September 2014	Start of Operation	Gross Prem.	% Com	Net Premium	Earned Premium	% L	% B	%OE	%AE	%TE	%ER	%CR pre RR	%RR	%CR	RSub	RSub /SE	RInv	RInv /SE	RGro	RNet	RGro /SE	ROE	SE	%SLV
Total		4.571	14,8%	3.895	3.763	75%	2%	3%	9%	3%	16%	91%	9%	100%	9	0%	648	16%	657	386	11,9%	7,0%	5.508	90%
Total Novas		2.429	18,3%	1.985	1.656	77%	1%	1%	9%	4%	15%	92%	17%	109%	-149	-7%	282	14%	134	59	5,0%	2,2%	2.681	83%
IRB	04/1939	2.142	10,8%	1.911	2.106	73%	3%	4%	8%	2%	17%	90%	2%	93%	158	7%	365	17%	523	327	18,5%	11,6%	2.827	99%
JM	05/2008	154	34,2%	101	100	30%	0%	13%	8%	3%	24%	54%	42%	96%	4	1%	51	10%	55	33	8,2%	4,8%	673	329%
Munich	05/2008	293	10,6%	262	251	67%	3%	1%	12%	3%	19%	86%	13%	99%	3	3%	40	39%	43	24	31,3%	17,6%	138	35%
Mapfre	11/2008	206	14,4%	176	156	59%	1%	1%	4%	4%	10%	68%	32%	100%	0	0%	21	22%	21	12	16,4%	9,5%	131	48%
XL	12/2008	50	19,3%	41	54	78%	3%	0%	6%	7%	15%	93%	16%	109%	-5	-3%	29	15%	24	14	9,3%	5,6%	259	385%
ACE	11/2009	172	27,8%	124	123	64%	-5%	0%	6%	5%	6%	69%	27%	97%	4	4%	16	16%	20	16	15,2%	11,7%	134	58%
Austral	01/2011	261	27,2%	190	179	79%	3%	0%	4%	3%	9%	89%	9%	98%	4	3%	10	6%	14	10	6,2%	4,3%	228	66%
AIG	04/2011	71	19,4%	57	37	96%	0%	0%	19%	5%	25%	121%	6%	127%	-10	-18%	7	12%	-3	-2	-4,2%	-2,8%	77	81%
Zurich	01/2012	499	17,5%	412	305	85%	0%	0%	1%	2%	4%	89%	20%	109%	-27	-33%	17	21%	-9	-11	-8,6%	-10,1%	109	16%
Markel	01/2012	22	37,6%	14	22	93%	4%	0%	37%	8%	49%	142%	7%	149%	-11	-21%	7	14%	-4	-5	-5,2%	-7,4%	69	237%
Swiss	06/2012	186	15,3%	158	110	88%	4%	0%	15%	4%	24%	112%	21%	133%	-36	-46%	13	16%	-24	-24	-22,5%	-22,6%	106	43%
Terra Brasis	10/2012	61	20,8%	49	24	68%	5%	0%	29%	4%	38%	106%	20%	126%	-6	-9%	8	11%	2	1	1,8%	1,1%	98	120%
Allianz	12/2012	342	8,2%	314	280	101%	2%	1%	11%	3%	16%	117%	2%	119%	-53	-71%	24	33%	-29	-20	-28,9%	-20,0%	99	22%
BTG	02/2013	111	21,6%	87	15	8%	0%	6%	48%	5%	58%	66%	81%	147%	-7	-2%	33	12%	27	16	7,0%	4,2%	379	256%
Scor	08/2014																3	4%		2		1,6%	102	
AXA	08/2014																2	4%		-7		-8,5%	81	

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)
%CR pre RR : Combined Ratio Pre Retrocession Result (%S+%ER)
%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)
%SLV : Solvency Margin, End-of-period SE/Annualized Gross Written Reinsurance

Source: Susep, Terra Brasis Re

Local Reinsurers January to September 2015 results:

Company	Start of Operation	Sep 2015	January to September 2015					Sep 2015	Sep 2014	
		Shareholder's Equity	Gross Written Premium	Written Premium	Earned Premium	Reinsurance Operational Result	Financial Result	Gross Profit	Net Profit	
	IRB Apr 03, 1939	3.103	2.946	2.662	2.639	145	634	780	549	327
	JM May 23, 2008	716	186	118	106	8	68	76	41	33
	Munich May 23, 2008	300	329	278	253	-107	106	-1	-2	24
	Mapfre Nov 14, 2008	151	143	116	104	-2	34	32	19	12
	XL Dec 05, 2008	277	36	29	35	-8	26	19	11	14
	ACE Nov 25, 2009	74	184	146	119	-24	18	-6	-6	16
	Austral Jan 31, 2011	257	440	350	343	11	45	56	31	10
	AIG Apr 04, 2011	91	111	94	83	1	16	18	10	-2
	Zurich Jan 05, 2012	135	605	498	473	-36	37	1		-11
	Markel Jan 17, 2012	70	13	10	20	-19	11	-8	-10	-5
	Swiss Jun 14, 2012	118	209	171	156	-27	21	-6	-8	-24
	Terra Brasis Oct 04, 2012	102	85	70	51	-6	12	6	3	1
	Allianz Dec 05, 2008	210	347	318	338	21	43	64	40	-20
	BTG Feb 26, 2013	358	199	161	39	-6	45	39	23	16
	Scor Aug 06, 2014	99	109	96	57	-13	10	-3	-2	2
	AXA Aug 25, 2014	85	41	39	14	-16	8	-8	-5	-7
	Total Locais	6.147	5.982	5.156	4.829	-77	1.135	1.057	696	386
	Total without IRB	3.044	3.035	2.494	2.191	-223	500	277	147	59

Source: Susep, Terra Brasis Re