



Terra Report

Publication on the Brazilian Reinsurance Market

Analysis Preview of June 2016 Results



Summary

SUSEP completed the disclosure of the Local Reinsurers' 2016 first half results. In the next few days we will release the complete Terra Report edition. In this preview we are anticipating some highlights.

- Reinsurance volume ceded by Brazilian insurers (gross of commission) reached BRL 4.9bn, an increase of 11.5% in relation to BRL 4.4bn of the same period of 2015.
- Of this volume ceded, BRL 3.6bn were placed in Local Reinsurers (a growth of 7.0% in relation to the first semester of 2015) and BRL 1.3bn were placed in Offshore Reinsurers (a growth of 25% in relation to the same period of 2015).
- We estimated that the volume accepted by Local Reinsurers related to abroad risks has increased almost 37%, stood at BRL 706 million in the first six months of 2016 against BRL 515 million registered in the same period of the previous year.
- In the first half of 2016, the Loss Ratio stood at 72% (64% IRB and 82% to the other local reinsurer) against 85% showed in the same period of the previous year. In the same period, Combined Ratio reached 99% (93% IRB and 107% to the other local reinsurer) compared to 101% registered in the same period of 2015.
- The Local Reinsurer Market net profit was BRL 510 million (BRL 414 million to IRB) in the first semester of 2016 against BRL 445 million (BRL 342 million to IRB) in the same period of the previous year. With these numbers, the R.O.E (Return on Equity) annualized of all Local Reinsurers was 15.6% (26.3% IRB and 3.0% to the other local reinsurers). In the same period of 2015, the R.O.E was 14.7% (23.3% IRB and 6.6% to the other local reinsurers).

Summary of Results and Main Indexes for Local Reinsurers of January to June 2016 and 2015:

	Consolidated Local Reinsurers		IRB		Other Local Reinsurers	
	2016/06	2015/06	2016/06	2015/06	2016/06	2015/06
Total Assets	26.518	24.004	13.436	13.501	13.082	10.503
Shareholder's Equity	6.541	6.036	3.046	2.945	3.495	3.091
Gross Written Premium	4.284	3.857	2.422	1.929	1.862	1.928
Written Premium	3.721	3.328	2.173	1.760	1.547	1.568
Earned Premium	3.621	3.101	2.082	1.695	1.539	1.406
Loss Ratio	72%	85%	64%	54%	82%	123%
Commercial Expenses/ Earned Premium	2%	2%	3%	3%	2%	1%
Administrative + Other/ Earned Premium	8%	11%	5%	9%	12%	13%
Tax/ Earned Premium	4%	3%	4%	3%	3%	4%
Retrocession Result/Earned Premium	13%	-1%	17%	26%	7%	-33%
Combined Ratio	99%	101%	93%	95%	107%	107%
Reinsurance Operational Result	46	-17	151	87	-105	-104
Financial Result and Equity Pick-up	745	700	456	422	289	278
Income Tax and Contributions	-281	-238	-193	-167	-88	-71
Net Profit for the Period	510	445	414	342	96	102
<i>ROE (annualized)</i>	<i>15,6%</i>	<i>14,7%</i>	<i>27,2%</i>	<i>23,3%</i>	<i>5,5%</i>	<i>6,6%</i>

Comparative January to June 2016 and 2015:

		Written Premium (WP)		Net Profit		Market Share WP			
		2016/06	2015/06	2016/06	2015/06	2016/06		2015/06	
Total	Start of	3.721	3.328	510	445	100,0%		100,0%	
Other Locals	Operation	1.547	1.568	96	102	100,0%		100,0%	
IRB	Apr 03, 1939	2.173	1.760	414	342	58,4%		52,9%	
JM	May 23, 2008	75	86	30	28	2,0%	4,8%	2,6%	5,5%
Munich	May 23, 2008	199	153	10	2	5,4%	12,9%	4,6%	9,7%
Mapfre	Nov 14, 2008	147	78	14	9	3,9%	9,5%	2,3%	5,0%
XL	Dec 05, 2008	19	20	15	9	0,5%	1,2%	0,6%	1,3%
ACE	Nov 25, 2009	53	81	1	4	1,4%	3,4%	2,4%	5,2%
Austral	Jan 31, 2011	119	234	13	17	3,2%	7,7%	7,0%	15,0%
AIG	Apr 04, 2011	24	64	-12	7	0,7%	1,6%	1,9%	4,1%
Zurich	Jan 05, 2012	291	388	20	6	7,8%	18,8%	11,6%	24,7%
Markel	Jan 17, 2012	16	3	-7	-7	0,4%	1,0%	0,1%	0,2%
Swiss	Jun 14, 2012	145	90	6	8	3,9%	9,4%	2,7%	5,7%
Terra Brasis	Oct 04, 2012	40	44	4	1	1,1%	2,6%	1,3%	2,8%
Allianz	Dec 05, 2008	185	240	3	10	5,0%	12,0%	7,2%	15,3%
BTG	Feb 26, 2013	91	27	20	14	2,4%	5,9%	0,8%	1,7%
Scor	Aug 06, 2014	88	48	-3	-3	2,4%	5,7%	1,5%	3,1%
AXA	Aug 25, 2014	55	12	-18	-3	1,5%	3,5%	0,3%	0,7%

Main Ratios From Local Reinsurers from January to June of 2016 and 2015

Jan to June 2016	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		4.284	13,1%	3.721	3.621	72%	2%	1%	7%	4%	14%	86%	13%	99%	46	1%	745	23%	791	510	12,1%	15,6%	6.541	76%
Total New		1.862	16,9%	1.547	1.539	82%	2%	3%	10%	3%	18%	100%	7%	107%	-105	-6%	289	17%	184	96	5,3%	5,5%	3.495	94%
IRB	04/1939	2.422	10,3%	2.173	2.082	64%	3%	-1%	5%	4%	11%	75%	17%	93%	151	10%	456	30%	607	414	19,9%	27,2%	3.046	63%
JM	05/2008	119	37,0%	75	63	44%	0%	13%	6%	5%	24%	68%	27%	95%	3	1%	51	14%	55	30	7,3%	7,9%	750	316%
Munich	05/2008	227	12,3%	199	238	63%	2%	7%	9%	4%	23%	86%	18%	104%	-9	-5%	23	14%	14	10	4,4%	5,9%	323	71%
Mapfre	11/2008	166	11,9%	147	110	102%	1%	3%	3%	5%	13%	115%	-22%	93%	8	10%	16	20%	25	14	15,0%	17,5%	164	49%
XL	12/2008	21	9,7%	19	15	66%	3%	0%	12%	12%	28%	94%	10%	103%	-	-0%	27	18%	27	15	8,9%	9,8%	300	719%
ACE	11/2009	63	15,8%	53	79	60%	3%	-1%	10%	3%	15%	75%	48%	123%	-18	-40%	21	45%	2	1	2,6%	2,2%	91	72%
Austral	01/2011	138	14,2%	119	133	52%	3%	7%	5%	3%	18%	70%	29%	99%	1	1%	14	11%	15	13	5,5%	9,2%	271	98%
AIG	04/2011	35	30,3%	24	38	255%	0%	0%	11%	4%	16%	271%	-132%	138%	-15	-41%	2	6%	-13	-12	-17,5%	-32,6%	72	103%
Zurich	01/2012	346	16,1%	291	275	89%	0%	0%	1%	2%	3%	92%	7%	99%	1	1%	36	30%	37	20	15,8%	17,3%	236	34%
Markel	01/2012	23	31,6%	16	18	56%	4%	0%	88%	7%	99%	155%	18%	173%	-13	-34%	6	15%	-7	-7	-9,6%	-18,8%	76	164%
Swiss	06/2012	190	23,5%	145	122	159%	2%	1%	10%	3%	16%	175%	-66%	109%	-11	-10%	22	21%	11	6	5,5%	6,1%	208	55%
Terra Brasis	10/2012	47	14,2%	40	45	82%	3%	0%	14%	4%	21%	104%	5%	109%	-4	-8%	10	19%	6	4	5,8%	7,3%	101	107%
Allianz	12/2012	206	10,1%	185	230	50%	4%	0%	12%	2%	18%	68%	42%	110%	-22	-20%	28	26%	6	3	2,7%	2,7%	219	53%
BTG	02/2013	114	20,0%	91	53	1%	0%	6%	10%	7%	22%	23%	60%	83%	9	5%	27	14%	36	20	9,4%	10,3%	387	170%
Scor	08/2014	109	19,3%	88	81	127%	0%	0%	10%	1%	12%	138%	-23%	116%	-13	-26%	8	17%	-5	-3	-4,8%	-5,3%	97	44%
AXA	08/2014	57	4,0%	55	41	110%	4%	1%	54%	6%	65%	175%	-20%	155%	-23	-23%	-3	-3%	-25	-18	-12,7%	-18,3%	201	176%

Jan to June 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		3.857	13,7%	3.328	3.101	85%	2%	3%	8%	3%	16%	101%	-1%	101%	-17	-1%	700	23%	683	445	11,3%	14,7%	6.036	78%
Total Novas		1.928	18,7%	1.568	1.406	123%	1%	4%	9%	4%	18%	141%	-33%	107%	-104	-7%	278	18%	174	102	5,6%	6,6%	3.091	80%
IRB	04/1939	1.929	8,7%	1.760	1.695	54%	3%	2%	7%	3%	15%	69%	26%	95%	87	6%	422	29%	509	342	17,3%	23,3%	2.945	76%
JM	05/2008	134	35,7%	86	69	40%	0%	13%	7%	4%	25%	65%	28%	94%	4	1%	43	12%	48	28	6,8%	8,0%	703	263%
Munich	05/2008	181	15,8%	153	154	90%	2%	1%	12%	5%	21%	110%	17%	127%	-42	-28%	48	31%	6	2	1,8%	1,3%	304	84%
Mapfre	11/2008	97	19,7%	78	72	105%	1%	4%	6%	8%	18%	124%	-19%	105%	-4	-5%	19	26%	15	9	10,7%	12,6%	141	73%
XL	12/2008	25	19,2%	20	28	74%	2%	0%	9%	7%	18%	92%	10%	103%	-1	-1%	16	12%	15	9	5,5%	6,6%	275	557%
ACE	11/2009	110	26,6%	81	79	136%	-2%	0%	12%	4%	14%	149%	-44%	106%	-5	-11%	11	25%	6	4	7,3%	10,5%	85	39%
Austral	01/2011	304	22,9%	234	228	88%	2%	19%	2%	3%	26%	114%	-18%	96%	8	7%	22	18%	30	17	12,2%	13,7%	246	40%
AIG	04/2011	77	16,9%	64	55	153%	0%	1%	6%	6%	14%	166%	-72%	95%	3	6%	9	21%	12	7	13,7%	16,1%	88	57%
Zurich	01/2012	462	16,1%	388	313	108%	0%	0%	1%	3%	3%	111%	-7%	104%	-13	-17%	22	29%	9	6	6,0%	8,4%	151	16%
Markel	01/2012	3	-10,4%	3	13	122%	4%	0%	56%	7%	67%	189%	3%	192%	-12	-34%	6	17%	-6	-7	-8,0%	-18,1%	74	1184%
Swiss	06/2012	114	21,7%	90	76	135%	3%	0%	18%	5%	26%	161%	-55%	107%	-5	-7%	15	22%	10	8	7,5%	10,8%	139	61%
Terra Brasis	10/2012	54	18,3%	44	32	77%	3%	0%	16%	5%	25%	101%	17%	118%	-6	-11%	7	15%	2	1	1,6%	1,8%	100	92%
Allianz	12/2012	257	6,5%	240	222	248%	3%	-2%	10%	2%	13%	261%	-158%	103%	-7	-7%	20	20%	13	10	6,5%	9,7%	201	39%
BTG	02/2013	42	35,7%	27	24	-2%	0%	14%	35%	6%	55%	54%	69%	123%	-6	-3%	28	14%	23	14	5,7%	6,9%	398	472%
Scor	08/2014	56	14,4%	48	36	100%	0%	0%	22%	6%	27%	127%	2%	129%	-10	-21%	6	12%	-5	-3	-4,5%	-5,4%	99	88%
AXA	08/2014	12	0,0%	12	5	29%	13%	0%	199%	11%	223%	252%	33%	286%	-10	-22%	5	11%	-5	-3	-5,7%	-7,1%	87	375%

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 Annualized (before Income Tax, Social Contributions, Profit Sharing)
%SLV : Solvency Margin, End-of-period SE/Annualized Gross Written Reinsurance