

June 2011

Terra Report

Publication on the Brazilian Reinsurance Market

Index:

Introduction3

Brazil Insurance Market.....4

Brazil Reinsurance Market8

Premium Flow of the Brazilian Market 10

Local Reinsurance Market... 14

Evolution of Premium and Reserves of Local Reinsurers..... 17

Segment Analysis 18

Segment: Property 19

Segment: Surety 20

Segment: Agricultural..... 21

Segment: Liability..... 22

- SUSEP implemented in June a new accounting methodology with significant changes to the presentation of financial statements. We adapt our tables and graphs to the new methodology and describe the main points of these changes.
- Local reinsurance companies showed signs of recovery in market share. The IRB, in particular, showed a recovery in the latter period.
- The analysis of June’s data was conducted with some skepticism due to possible imperfections contained in our interpretations of the data and/or in the information provided by SUSEP under the new accounting methodology, justified due to the number of changes implemented.
- The analysis of market segments has been expanded and now covers also the Liability segment in addition to Property, Surety and Agricultural segments.

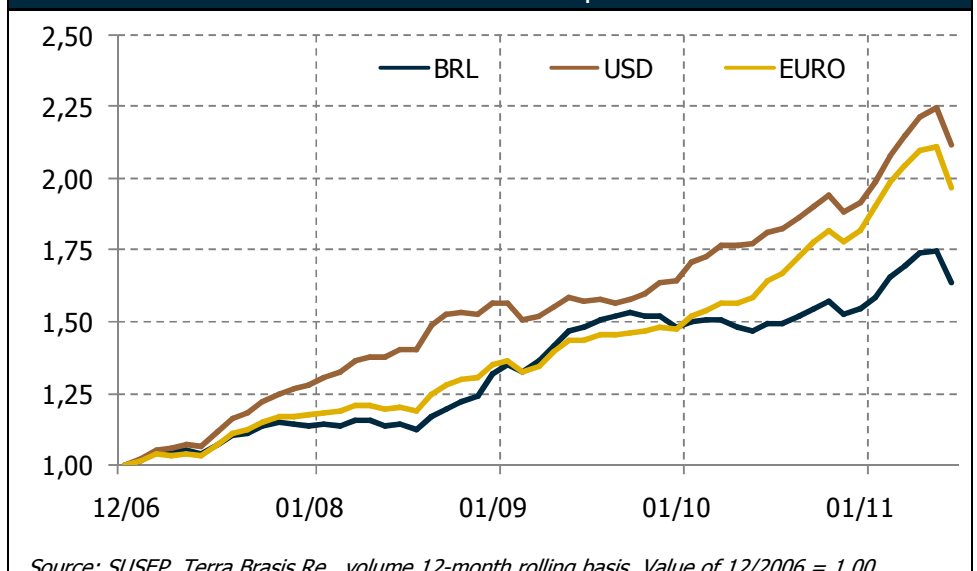
(a) Local Reinsurance company presently in license approval process at SUSEP

Majority Shareholder:



An equity investment by the World Bank’s International Financial Corporation (IFC) has been approved and is currently under process.

Evolution of the volume of reinsurance premiums ceded by Brazilian insurers calculated in different currencies up to June 2011.

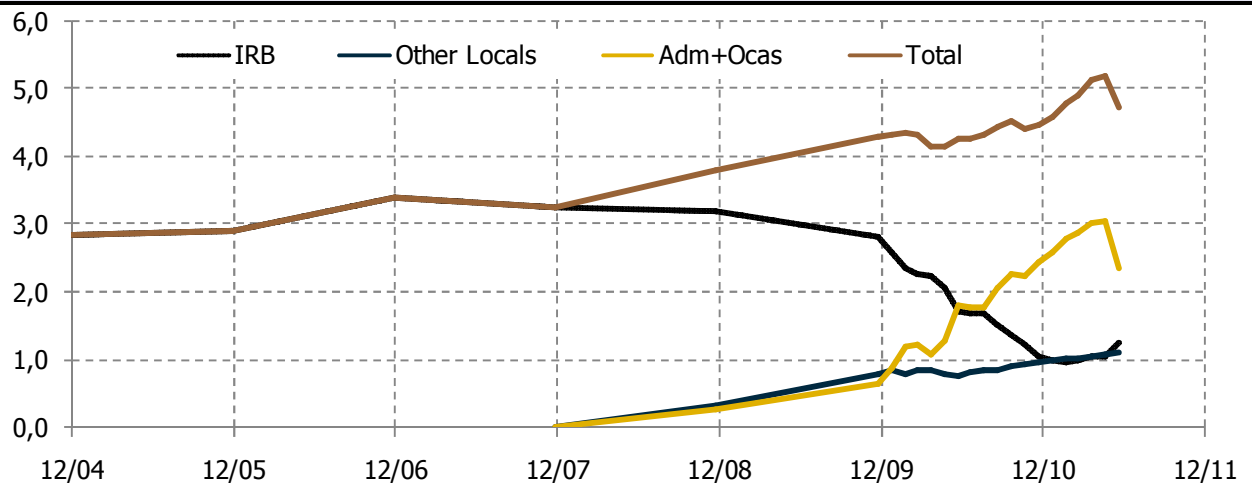


Introduction

The primary focus of this edition of Terra Report is not entirely visible. In June, SUSEP implemented significant changes to the accounting methodology for insurers and reinsurers, resulting in extensive work on our part in adjusting our database. Despite our efforts on this task, it is still possible that some errors remain. Thus, we apologize in advance for possible mistakes and reiterate that any comment or criticism to this work is always very welcome.

Also due to the changes in accounting methodology we believe that the integrity of the data for the month of June is fragile. Therefore we look at June's results with some skepticism and believe that they might be altered in the coming months as insurance and reinsurance companies, which supply the data SUSEP, correct the information provided under the new methodology.

Total ceded reinsurance premium and accepted reinsurance premium by the IRB, other local reinsurers and admitted/occasional reinsurers



Source: SUSEP, Terra Brasis Re

June's numbers brought signs of market share recovery for local reinsurers, in particular for the IRB, as shown in the chart above. It is possible that such result is consequence of the CNSP regulations implemented at the end of 2010.

Regarding the growth in ceded premium by Brazilian companies, year-to-date numbers up to June show a growth rate lower than that reported in the first quarter. The current figures for 2011 are projecting a growth of approximately 10%, significantly lower than the 30% projected growth that the figures of the first quarter indicated. However, we emphasize once again that June's numbers may contain inaccuracies.

In this edition we expand our analysis of market segments, including now the Liability segment in addition to Property, Surety and Agricultural segments which were already analyzed.

Brazil Insurance Market

As mentioned in the previous section, SUSEP implemented in June a new accounting methodology. Among the changes implemented we would mention:

- Earned Premium (Prêmio Ganho): Under the new accounting methodology it refers to Gross Earned Premium, in other words it does not exclude ceded reinsurance premium. Under the previous accounting methodology it referred to Net Earn Premium.
- The result from reinsurance operations are now isolated whereas before it was spread across many items in the income statement.

Consolidated figures of Brazilian insurance companies for May 2011 and May 2010

	Brazilian Insurers		May 11/May 10
	May 2011	May 2010	
Net Written Premium	24.459.673.308	20.200.971.634	121%
Contribution of Risk Coverage	831.379.554	717.900.759	
Variation of Premium Technical Provision	-2.275.941.906	-931.712.060	
Gross Earned Premium	23.015.110.956	19.987.160.333	115%
Revenue of Policies Emission	0	0	
Loss Occurred	-12.371.863.084	-10.175.902.391	122%
Commercial Expenses	-4.684.943.297	-3.883.205.850	
Other Operational Expenses	-637.062.102	-717.268.354	
Reinsurance Result	-319.752.155	-666.112.065	
Insurance Margin	5.001.490.318	4.544.671.672	110%
Pension Operations Margin	818.966.288	783.882.230	
Contribution Margin	5.820.456.606	5.328.553.903	109%
Administrative Expenses	-3.618.022.334	-3.055.989.088	118%
Tax Expenses	-798.968.160	-681.371.298	
Industrial Result	1.403.466.112	1.591.193.517	
Financial Result	3.086.769.503	2.327.000.466	133%
Equity Pick-up	2.002.897.002	1.730.046.438	
Operacional Result	6.493.132.617	5.648.240.421	115%
Result from Sale of non-recurring Assets	40.989.312	56.629.482	
Result before tax and Profit Sharing	6.534.121.929	5.704.869.903	
Income Tax and Social Contributions	-1.688.900.257	-1.431.254.170	
Employee Profit Sharing	-137.363.194	-121.199.303	
Net Profit	4.707.858.478	4.152.416.430	113%
Shareholder's Equity (end of Period)	65.918.125.007	58.399.242.330	113%
Net Profit / SE	7,1%	7,1%	
Net Profit / SE (annual)	17,1%	17,1%	
Other definitons:			
Net Earned Premium	20.974.262.389	18.269.238.620	
Retained Losses	23.005.431.923	19.374.901.009	
Reinsurance Premium Ceded	-2.285.620.939	-1.543.971.384	

Source: SUSEP, Terra Brasis Re

Figures for June 2011 show a significant difference to the numbers for May 2011 adjusted to the new accounting methodology. We do not rule out an error in the conversion methodology we adopted, nor some inaccuracy still present in SUSEP's database. Thus we present the numbers on the previous page for May 2011 and May 2010 and the numbers on this page relating to June 2011 and June 2010.

Consolidated figures of Brazilian insurance companies for June 2011 and June 2010

	Brazilian Insurers		Jun 11/Jun10
	June 2011	June 2010	
Net Written Premium	29.824.236.522	25.520.102.770	117%
Contribution of Risk Coverage	1.003.550.809	865.068.665	
Variation of Premium Technical Provision	-2.983.969.633	-1.471.160.903	
Gross Earned Premium	27.843.817.698	24.914.010.533	112%
Revenue of Policies Emission	868.305.567	0	
Loss Occurred	-13.791.910.781	-12.638.241.961	109%
Commercial Expenses	-5.756.352.233	-4.875.622.633	
Other Operational Expenses	-1.373.944.958	-830.329.265	
Reinsurance Result	-537.921.939	-943.403.462	
Insurance Margin	7.251.993.354	5.626.413.211	129%
Pension Operations Margin	1.095.484.816	1.015.239.598	
Contribution Margin	8.347.478.170	6.641.652.809	126%
Administrative Expenses	-4.215.615.187	-3.799.780.365	111%
Tax Expenses	-995.847.181	-894.243.879	
Industrial Result	3.136.015.802	1.947.628.565	
Financial Result	3.687.822.017	2.842.922.264	130%
Equity Pick-up	2.782.879.638	2.124.561.318	
Operacional Result	9.606.717.457	6.915.112.148	139%
Result from Sale of non-recurring Assets	99.293.005	76.748.306	
Result before tax and Profit Sharing	9.706.010.462	6.991.860.454	
Income Tax and Social Contributions	-2.047.897.396	-1.709.532.813	
Employee Profit Sharing	-166.201.315	-154.549.237	
Net Profit	7.491.911.751	5.127.778.403	146%
Shareholder's Equity (end of Period)	66.564.253.313	58.818.664.158	113%
Net Profit / SE	11,3%	8,7%	
Net Profit / SE (annual)	22,5%	17,4%	

Other definitons:

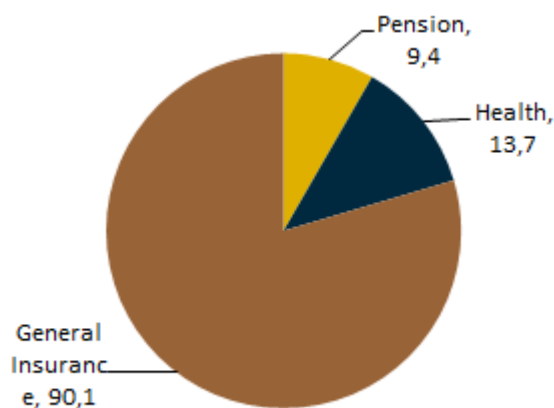
Net Earned Premium	25.717.479.752	22.739.716.353
Retained Losses	28.418.449.654	24.255.002.313
Reinsurance Premium Ceded	-2.410.977.353	-2.130.169.123

Source: SUSEP, Terra Brasis Re

It is important to highlight that the analysis of the consolidated results of the Brazilian insurance market has limited efficiency when trying to analyze the Brazilian reinsurance market, given the significance of the DPVAT and VGBL segments in the Brazilian insurance market.

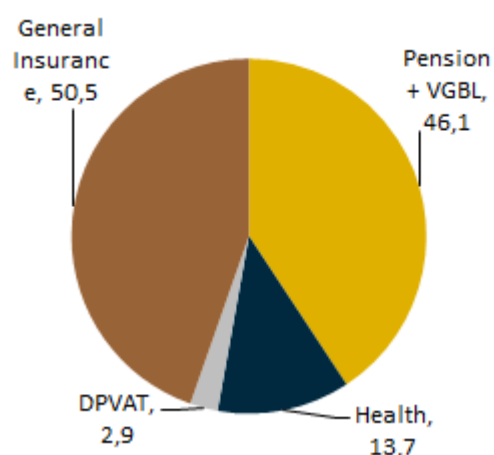
In the official classification of the Brazilian insurance market, DPVAT and VGBL operations are grouped within the so called General Insurance ("Seguros Gerais"). Therefore, throughout this report we excluded from General Insurance operations related to DPVAT, which we believe should be an independent insurance segment and excluded VGBL, which we believe should be part of the Pension segment.

Official Brazilian market segments, gross premium



Source: SUSEP, CNSeg, ANS, Terra Brasis Re, BRL bn, 12/2010

Used Brazilian market segments, gross premium



Source: SUSEP, CNSeg, ANS, Terra Brasis Re, BRL bn, 12/2010

By using the proposed market segmentation we constructed an analysis of the key figures of the Brazilian insurance market by SUSEP's group, as shown below.

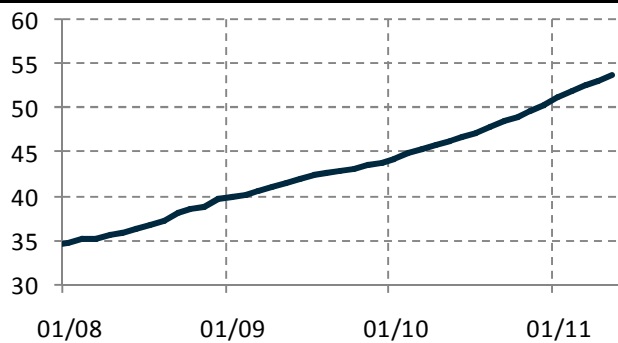
Key figures per group within the Brazilian insurance market for 2010

	Gross Premium	Net Premium	Earned Premium	Direct Loss	Retained Loss	Commercial Expenses	Loss Ratio	Commercial Expense Ratio
Property	7,788,602,441	5,857,909,503	5,163,895,708	2,646,701,036	1,568,467,389	2,221,790,683	30%	43%
Special Risks	172,702,526	25,891,543	33,477,650	225,353,299	13,903,300	1,973,333	42%	6%
Liability	749,578,818	388,878,622	369,468,267	217,198,869	135,320,087	65,929,311	37%	18%
Hull	572,885,995	190,103,319	165,887,045	298,315,041	115,585,714	25,616,912	70%	15%
Auto	20,052,338,205	19,870,508,080	18,570,125,042	12,732,654,341	11,869,491,032	3,723,639,227	64%	20%
Marine	1,969,231,268	1,751,281,898	1,773,832,027	1,273,337,126	1,004,890,266	382,402,584	57%	22%
Surety	898,470,168	363,591,585	291,240,712	162,120,332	55,562,343	-10,764,338	19%	-4%
Credit	425,733,620	311,135,434	342,241,522	220,545,891	86,876,612	29,004,443	25%	8%
Life	15,715,725,807	15,456,131,670	13,875,248,837	4,678,725,605	4,801,329,311	3,710,716,636	35%	27%
House Financing	1,110,667,557	1,070,104,251	850,701,855	255,165,109	257,105,587	27,536,837	30%	3%
Agricultural	1,022,846,298	540,491,273	484,154,511	245,033,257	166,696,646	56,352,267	34%	12%
Total	50,478,782,703	45,826,027,178	41,920,273,177	22,955,149,904	20,075,228,286	10,234,197,895	48%	24%

Source: SUSEP, Terra Brasis Re, excludes segments related to DPVAT and VGBL

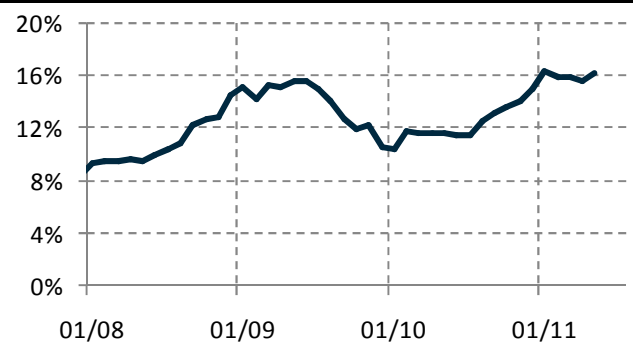
By looking at the historical time series it is possible to observe that gross premium, still defined by excluding VGBL and DPAVT, continue to grow at a pace close to 16% yoy in nominal terms.

General insurance gross written premium



Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling basis

Growth rate of general insurance GWP

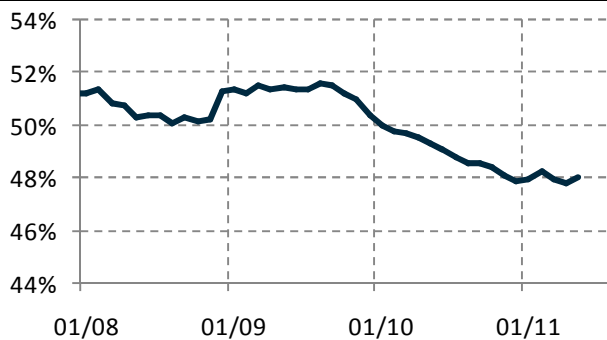


Source: SUSEP, Terra Brasis Re, 12-month rolling basis

Loss ratios remain relative low, around 48% and slightly below previous year's level.

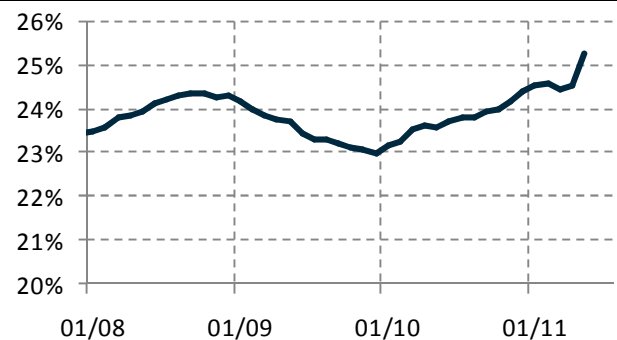
Recent data indicates an increase in commercial expenses, labeled "acquisition costs" under the new accounting methodology, and now exceeds 25% of net earned premium for a 12-month rolling basis the 12 months ending in June 2011.

Loss / Net earned premium



Source: SUSEP, Terra Brasis Re, 12-month rolling basis

Commercial expense / Net earned premium



Source: SUSEP, Terra Brasis Re, 12-month rolling basis

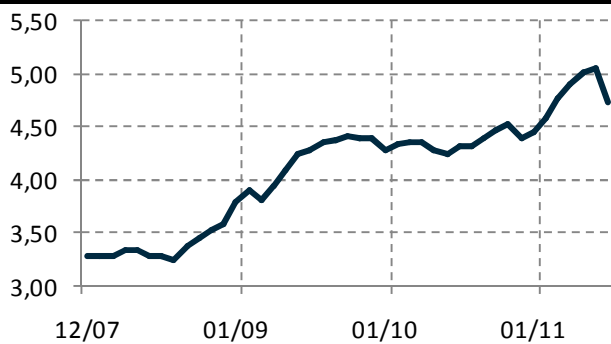
Brazil Reinsurance Market

In this analysis, reinsurance premiums were calculated based on the consolidated balance sheet of Brazilian insurance companies.

During 2011 through the month of May gross reinsurance premium grew rapidly, after being relatively stable in 2010. However data for the month of June decreased markedly the growth rate. We do not discard the possibility of an error in our interpretation of the data nor of June's data still being incomplete, given the migration to the new accounting methodology. Thus, we believe it is advisable to wait for new data to confirm the decrease in the growth rate of ceded reinsurance premium.

In a 12-month rolling basis ending in June 2011 the amount of reinsurance ceded totaled BRL 4.7bn, an increase of 9.5% over the previous year. The amount of ceded premium during the first half of 2011 reached BRL 2.4bn compared to BRL 2.13bn of the first half of 2010, an increase of 12.7%.

Gross reinsurance premium ceded



Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling basis

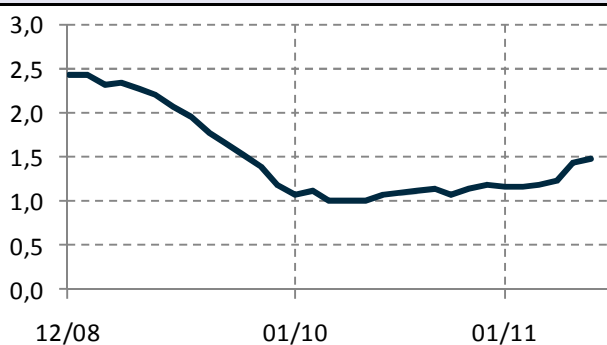
Growth in gross reinsurance premium ceded



Source: SUSEP, Terra Brasis Re

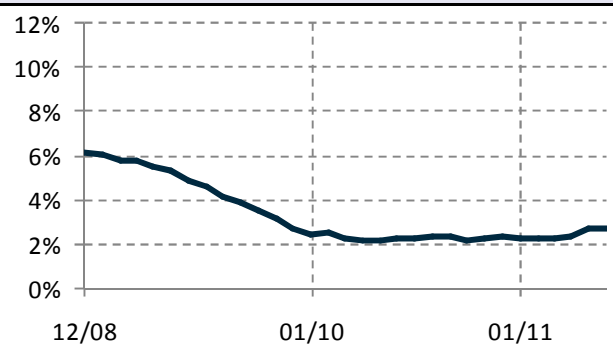
Volume of ceded co-insurance premium increased with a volume of BRL 1.48bn for the last 12 months ending in June 2011, equivalent to 2.8% of the gross insurance premiums, still defined by excluding VGBL and DPVAT.

Gross co-insurance premium ceded



Source: SUSEP, Terra Brasis Re, 12-month rolling

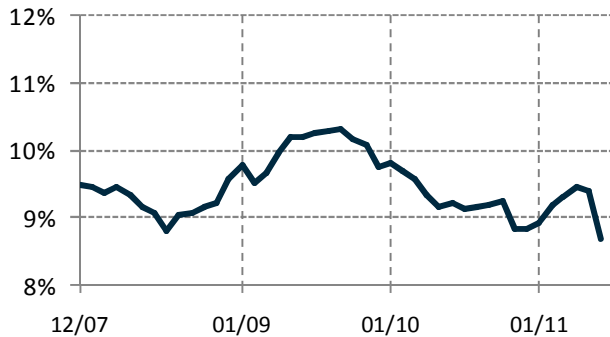
Growth in gross reinsurance premium ceded



Source: SUSEP, Terra Brasis Re, 12-month rolling basis

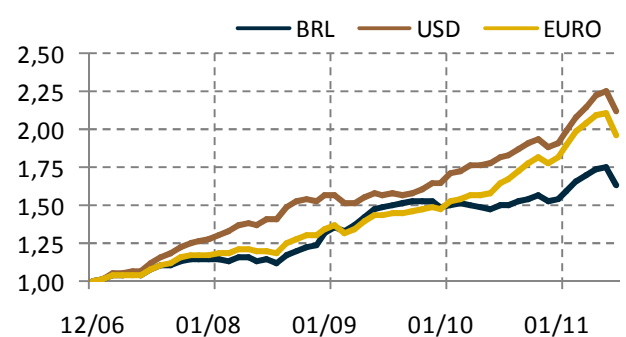
The ratio of reinsurance premium to insurance premium, the latter still defined by excluding VGBL and DPVAT, had remained relatively stable from 2008 to May 2011, ranging between 8.8% and 10.3%. However the data for June 2011 showed a decrease of this ratio to 8.7%, the lowest since at least beginning of 2008.

Co-insurance premium / Insurance premium



Source: SUSEP, Terra Brasis Re, 12-month rolling

Evolution of reinsurance premium by currency



Source: SUSEP, Terra Brasis, 12m rolling, Value 12/2006 = 1,00

It is interesting to note that the growth in ceded reinsurance premium is even greater when calculated in foreign currencies, given the appreciation of the Brazilian currency in recent years. To better study this movement we built the following exercise, which the result is shown in the graph above right.

For each month we converted that month's volume of ceded premium into foreign currency using that month's average foreign exchange rate. We then built three historical time series of ceded premium on a 12-month rolling basis, one series in Brazilian Real, one in U.S. Dollars and one in Euros. For the three series we used December 2006 as the base reference date, dividing the value of each month within that series by the value of December 2006.

It can be seen in the graph that the amount of reinsurance premium increased by about 65% since the end of 2006 if measured in Brazilian Reals, while basically doubled in size when measured in USD or EURO. This, among other factors, helps explain the growing interest of international companies in the Brazilian market.

The devaluation of the Brazilian Real during August 2011, where it went from USD/BRL 1.55 to USD/BRL 1.96 before retreating to around USD/BRL 1.75, will partly equalize the difference between market growth rates measured in different currencies.

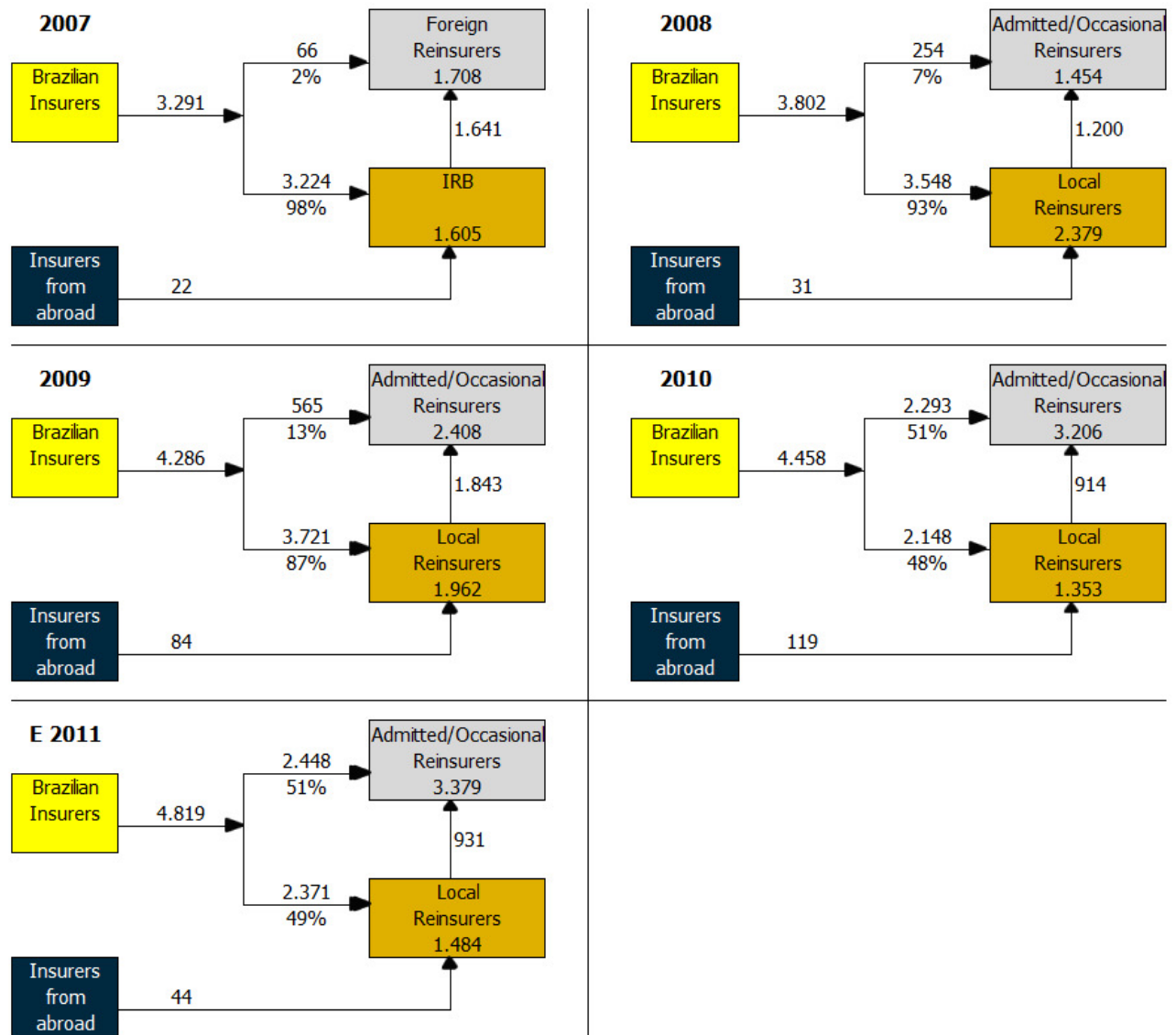
Premium Flow of the Brazilian Market

Next we present the flowcharts for reinsurance premium in the Brazilian market for the years of 2007 to 2010 and the expected flow for 2011. The expected flow for 2011 was obtained simply by multiplying June's figures by two. In other words, we assumed (for simplicity) no seasonality in premium flow.

We can observe that in 2010 Brazilian insurance companies ceded BRL4.5bn in gross reinsurance premium, a growth of 4.0% in comparison to 2009.

We can also note a significant decline in volume of reinsurance premium directed at the local market. Volume in 2010 stood at BRL 2.15bn versus BRL 3.72bn of 2009, a decrease of 43%. It is worth mentioning that the bulk of this decline came from IRB's result. Over this period the incumbent player had a 57% lost in premium volume, having registered in 2009 BRL 3.0bn and in 2010 BRL 1.3bn. The premium volume of other local reinsurance companies actually increased close to 20% in 2010 vis-à-vis 2009, from BRL 0.81bn to BRL 0.97bn. This is an encouraging result for the new local companies especially given that in 2010 the legal preferred offering requirement to local companies decreased from 60% to 40% of total gross annual ceded volume.

Premium flow in the Brazilian market for 2007 to 2010



Source: SUSEP, Terra Brasis Re, figures in BRL bn, 2011 estimates obtained by multiplying June's figures by two

The numbers for June 2011 and the update numbers for May 2011 significantly alter the projection for the year of 2011. As mentioned earlier, we believe it is still possible that the June data is changed considerably as a result of the modification in accounting methodology.

We now project a reinsurance premium volume of BRL 4.8bn for 2011, an increase of 8.1% relative to 2010. In the previous report, based on figures up to April 2011, we projected a volume of BRL 5.8bn, equivalent to an annual growth of 30%.

As a percentage of ceded premium, the local reinsurance market presented for the first time a recovery, albeit modest. Latest numbers show a current market share of 49% versus 48% relative to the end of 2010.

The numbers still do not show that local reinsurers are increasing their overseas operations, despite announcements made by the IRB and J.Malucelli/ Travelers. The projected volume of ceded premium by foreign companies to local reinsurers stands at BRL 44mm for 2011, down from BRL 119mm of 2010.

Summary of the Brazilian reinsurance market flows

Gross Reinsurance Premium accepted by Local Reinsurers:

	06/2011	2011E	2010	2009	2008	2007
from Brazilian Insurers	1.185,3	2.370,6	2.147,5	3.720,7	3.547,7	3.224,1
from Insurers abroad	22,1	44,3	119,5	84,0	30,8	22,1
Gross Reinsurance Premium	1.207,4	2.414,9	2.267,0	3.804,7	3.578,5	3.246,2
Retrocession	465,4	930,9	913,5	1.842,6	1.936,8	1.641,1
Net Retained Premium	742,0	1.484,0	1.353,5	1.962,1	1.641,6	1.605,1

Gross Reinsurance Premium ceded by Brazilian Insurers:

	06/2011	2011E	2010	2009	2008	2007
to IRB	632,9	1.265,8	1.180,6	2.914,7	3.219,1	3.224,1
to other Local Reinsurers	552,4	1.104,8	967,0	806,0	328,6	,0
to Admitted/Ocasional Reinsurers	1.224,0	2.448,1	2.310,5	565,0	254,4	,0
Total	2.409,3	4.818,7	4.458,0	4.285,7	3.802,1	3.224,1

Source: SUSEP, Terra Brasis Re, figures in BRL million

For the first half of 2011, the IRB's market share remained constant at 26%, while other local reinsurers gained 1% and admitted/occasional companies lost 1% in market share in reference to the end of 2010.

Market-share based on gross ceded premium

Market Share of Ceded Premium by Brazilian Insurers:

	06/2011	2010	2009	2008	2007
IRB	26%	26%	68%	85%	100%
Other Locals	23%	22%	19%	9%	0%
Admitted+Occasional	51%	52%	13%	7%	0%

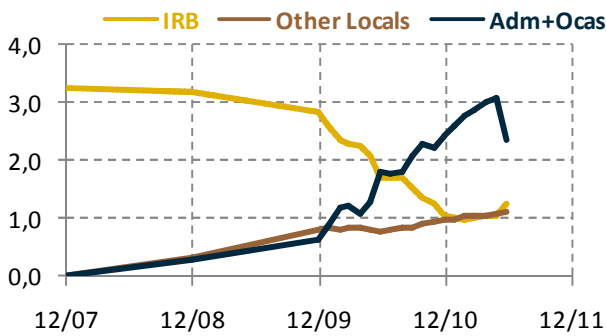
Market Share between Local Reinsurers:

	06/2011	2010	2009	2008	2007
IRB	53%	55%	78%	91%	100%
Other Locals	47%	45%	22%	9%	0%

Source: SUSEP, Terra Brasis Re

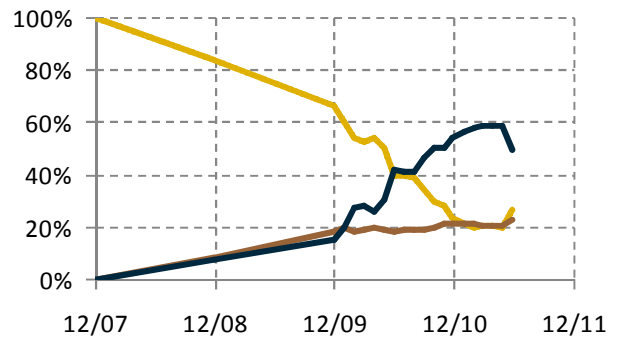
In the 12-months ending in June 2011, the IRB had a market share of 27%, while other local reinsurers represent 23% and admitted/Occasional represent 50% of the market.

Gross premium ceded by Brazilian insurers



Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling

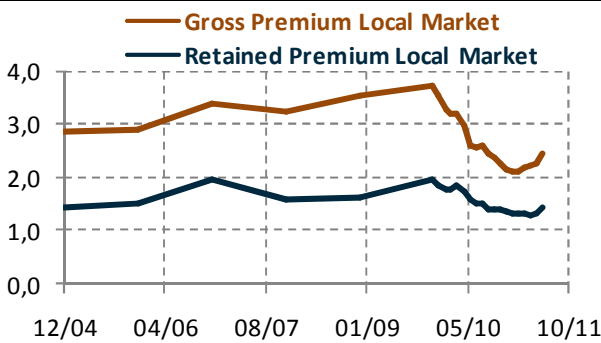
Market share on the gross ceded premium



Source: SUSEP, Terra Brasis Re, 12-month rolling basis

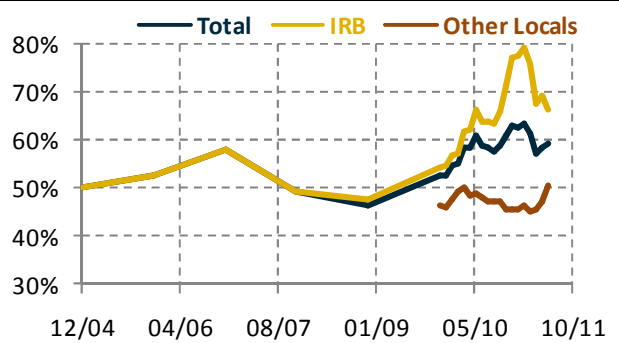
Regarding retention, the IRB is still retaining a significantly higher proportion than its historical retention level. In the 12 months ending in June 2011 the IRB retained 66% of gross premium. In 2010, the IRB retained 77% of the gross reinsurance premium, while in 2009 the retention was 53%. This largely explains why the decline in net written premium in the local market was significantly lower than the drop in gross written premium. Other local reinsurers are maintaining the retention at levels between 45 to 50%.

Local market gross and retained premium



Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling

Retained to gross premium ratio per company type



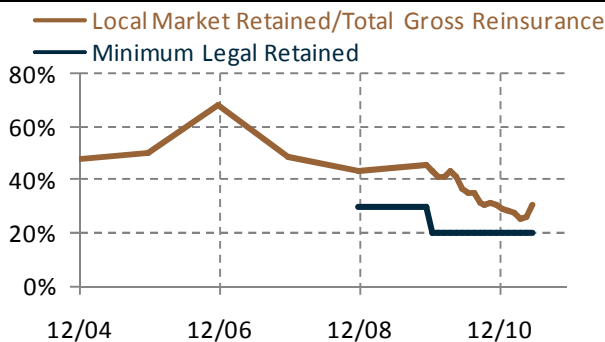
Source: SUSEP, Terra Brasis Re, 12-month rolling basis

It is interesting to notice that the local market has traditionally worked and continues to work with retention levels which are significantly higher than the minimum required by legislation established in 2007.

In a summarized and simplified form, legislation introduced in 2007 stipulated that starting in 2008 60% of the annual gross written premium ceded by Brazilian insurers had to be offered to local reinsurers (i.e. local reinsurers had a right of first refusal). This limit was set to be reduced to 40% starting in 2009. At the end of 2010 a change in legislation stipulated that from 2011 onwards 40% of each reinsurance deal originated by Brazilian insurers had to be placed with local reinsurers. Moreover, since 2007 local reinsurers are required to retain a minimum of 50% of their annual accepted gross written premium.

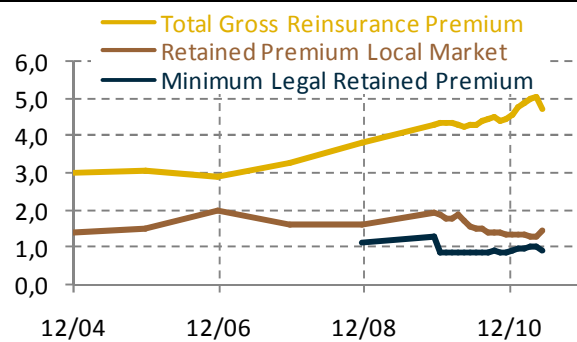
Therefore, we present on the graphs below an estimate for the minimum retained premium required by law, which would be of 30% in 2008 and 20% from there on. The latter is calculated by multiplying the 40% minimum placement in the local market by the 50% minimum retention threshold of local reinsurers. This is an approximation to the higher side as some segments of the reinsurance market, including surety and agricultural reinsurance are not bided by these limits.

Market retention and minimum legal retention as percentage of the Gross Premium ceded by Brazilian insurers



Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling

Gross Premium ceded by Brazilian insurers, retained premium in the local market and minimum legal retained premium



Source: SUSEP, Terra Brasis Re, 12-month rolling basis

As shown in the right graph above, for the year of 2010 the local market retained BRL 1.352bn while the minimum required by law would have been no greater than BRL 0.892bn. This latter figure was calculated by multiplying the gross ceded premium from Brazilian insurers, which was BRL 4.46bn, by the 40% minimum required placement and the 50% referenced to the maximum retrocession allowed. Therefore there was excess capacity of BRL 0.461bn.

In theory, Brazilian insurers could have ceded an additional BRL 2.3bn in gross premium before the local market would run out of capacity (BRL 461mm / [40% minimum placement * 50% minimum retention]). In other words, Brazilian insurers could have ceded 52% more than 2010's volume of BRL4.46bn before the local market would run out of capacity.

This means that, despite sporadic difficulties, the local Brazilian market does present greater capacity than before the opening and more than sufficient to absorb the volume of risks generated by Brazilian ceding companies, while attending to the present regulation.

Local Reinsurance Market

We briefly described in the Brazilian Insurance Market section the main differences between the previous accounting methodology and current one implemented in June 2011. The table below, in Portuguese, illustrates these changes in a color scheme.

Income Statement for local reinsurers under both accounting methodologies

Previous Accounting Methodology	June 2011	Current Account Methodology	June 2011
PRÊMIOS RETIDOS	741,984,436	PRÊMIOS EMITIDOS LÍQUIDOS	1,207,433,695
Prêmios de Resseguros	1,183,836,617	Prêmios de Resseguros	1,183,836,617
Operações com Exterior	22,139,721	Operações com Exterior	22,139,721
Retrocessões Aceitas	1,457,357	Retrocessões Aceitas	1,457,357
Prêmios Cedidos de Retrocessão	-465,449,259		
VARIAÇÃO DAS PROVISÕES TÉCNICAS	-40,092,805	VARIAÇÃO DAS PROVISÕES TÉCNICAS	-59,649,058
PRÊMIOS GANHOS	701,891,629	PRÊMIOS GANHOS	1,147,784,635
SINISTROS RETIDOS	-668,928,238	SINISTROS OCORRIDOS	-841,361,317
Sinistros	-808,954,520	Sinistros	-808,954,520
Recuperação de Sinistros	195,299,955		
Salvados	4,038,701	Salvados	4,038,701
Ressarcimentos	3,660,005	Ressarcimentos	13,826,945
Varição da IBNR	-69,901,426	Varição da IBNR	-69,901,426
Varição da IBNR - Recuperação Sinistros - Retrocessão Cedida	19,115,603		
Varição da IBNER	19,628,983	Varição da IBNER	19,628,983
Varição da IBNER - Recuperação Sinistros - Retrocessão Cedida	-31,815,539		
DESPESAS COM COMERCIALIZAÇÃO	-69,067,709	CUSTOS DE AQUISIÇÃO	-69,067,709
OUTRAS RECEITAS E DESPESAS OPERACIONAIS	-10,314,737	OUTRAS RECEITAS E DESPESAS OPERACIONAIS	-17,043,532
		RESULTADO COM RETROCESSÃO	-266,731,132
		Indenização de Sinistros Recuperação	186,961,423
		Despesas com Sinistros Recuperação	8,338,532
		Despesas com Benefícios Recuperação	0
		Varição da Provisão de IBNR	19,115,603
		Varição da Provisão de IBNER	-31,815,539
		Receita com Participação em Lucros	6,728,795
		Prêmios de Retrocessão Cessão	-465,449,259
		Varição das Despesas de Retrocessão Provisões	19,556,253
		Salvados e Ressarcidos	-10,166,940
DESPESAS ADMINISTRATIVAS	-130,008,028	DESPESAS ADMINISTRATIVAS	-130,008,028
DESPESAS COM TRIBUTOS	-32,663,166	DESPESAS COM TRIBUTOS	-32,663,166
RESULTADO FINANCEIRO	244,869,154	RESULTADO FINANCEIRO	244,869,154
RESULTADO PATRIMONIAL	21,530,755	RESULTADO PATRIMONIAL	21,530,755
RESULTADO OPERACIONAL	57,309,660	RESULTADO OPERACIONAL	57,309,660
RESULTADO NA VENDA DE ATIVOS NÃO CORRENTES	-10,402	GANHOS OU PERDAS COM ATIVOS NÃO CORRENTES	-10,402
RESULTADO ANTES DOS IMPOSTOS E PARTICIPAÇÕES	57,299,257	RESULTADO ANTES DOS IMPOSTOS E PARTICIPAÇÕES	57,299,257
IMPOSTO DE RENDA	-12,974,322	IMPOSTO DE RENDA	-12,974,322
CONTRIBUIÇÃO SOCIAL	-9,021,583	CONTRIBUIÇÃO SOCIAL	-9,021,583
PARTICIPAÇÕES SOBRE O RESULTADO	-1,164,072	PARTICIPAÇÕES SOBRE O RESULTADO	-1,164,072
LUCRO LÍQUIDO / PREJUÍZO	34,139,281	LUCRO LÍQUIDO / PREJUÍZO	34,139,281
QUANTIDADE DE AÇÕES	1,053,924,505	QUANTIDADE DE AÇÕES	1,053,924,505
LUCRO LÍQUIDO / PREJUÍZO POR AÇÃO	75	LUCRO LÍQUIDO / PREJUÍZO POR AÇÃO	75

Old versus New:

PRÊMIOS GANHOS (novo, bruto)	1,147,784,635
Prêmios de Retrocessão Cessão	-465,449,259
Varição das Despesas de Retrocessão Provisões	19,556,253
PRÊMIOS GANHOS (anterior, líquido)	701,891,629
SINISTROS OCORRIDOS	-841,361,317
Indenização de Sinistros Recuperação	186,961,423
Despesas com Sinistros Recuperação	8,338,532
Despesas com Benefícios Recuperação	0
Varição da Provisão de IBNR	19,115,603
Varição da Provisão de IBNER	-31,815,539
Salvados e Ressarcidos	-10,166,940
SINISTROS RETIDOS	-668,928,238
PRÊMIOS EMITIDOS LÍQUIDOS	1,207,433,695
Prêmios de Retrocessão Cessão	-465,449,259
PRÊMIOS RETIDOS	741,984,436

Source: CNSP, SUSEP, Terra Brasis Re

Below we present a summary of key figures for the local reinsurance companies as of June 2011.

Local reinsurers key figures for June 2011

<i>in BRL mm</i>	Total	IRB	JM	Munich	Mapfre	XL	ACE	Austral	Chartis
Authorization Date		Incubent	may/08	may/08	nov/08	dez/08	nov/09	jan/11	apr/11
Assets	11,203.0	8,097.9	966.7	1,033.9	365.7	372.4	169.0	114.1	83.2
Shareholders Equity	3,299.6	2,093.5	575.5	155.3	95.3	113.0	85.7	99.5	81.8
Total Gross Reserves	6,035.7	4,829.7	247.7	673.9	60.5	165.3	52.3	6.2	
Premium Gross Reserves	1,294.2	662.9	224.8	273.5	25.9	81.4	20.4	5.3	
Claims Gross Reserves	1,294.2	4,166.9	22.9	400.4	34.6	83.9	31.9	1.0	
Reinsurance Premium	1,183.8	632.9	100.4	244.0	72.6	47.2	77.5	9.1	.0
Retrocession Premiums	-465.4	-222.1	-58.6	-96.1	-46.8	-25.4	-13.3	-3.1	.0
International Operations	22.1	22.1	.0	.0	.0	.0	.0	.0	.0
Retrocession Premium	1.5	.0	.0	.0	1.5	.0	.0	.0	.0
Retained Premium	742.0	432.9	41.8	147.9	27.3	21.8	64.3	6.0	.0
Change in Provisions	-40.1	11.4	-9.8	-32.5	-5	5.3	-8.7	-5.3	.0
Earned Premiums	701.9	444.3	32.0	115.4	26.8	27.1	55.6	.7	.0
Losses Incurred	-668.9	-508.0	-.5	-91.1	-20.9	-21.8	-25.6	-1.0	.0
Commercial Expenses	-69.1	-16.2	-19.3	-7.9	-5	.0	-24.9	-.2	.0
Tax Expenses	-32.7	-15.9	-1.2	-7.0	-2.9	-2.7	-2.5	-.4	-.1
Other Oper. Expenses	-17.0	-11.3	-7.6	.6	1.0	.3	.0	.0	.0
Contribution Margin	-85.8	-107.1	3.4	10.0	3.5	2.9	2.5	-.8	-.1
Administrative Expenses	-130.0	-93.3	-8.6	-13.5	-2.9	-6.3	-2.5	-3.0	.0
Industrial Result	-215.8	-200.5	-5.2	-3.5	.6	-3.4	.0	-3.8	-.1
Financial Expenses	244.9	191.4	9.6	13.6	8.4	8.8	4.8	5.2	3.1
Operating Result	29.1	-9.1	4.3	10.1	9.1	5.3	4.9	1.4	3.0
Equity Pickup	21.5	21.5	.0	.0	.0	.0	.0	.0	.0
EBT	57.3	12.5	11.1	10.1	9.1	5.3	4.9	1.4	3.0
Income Tax	-13.0	-2.4	-2.8	-2.4	-2.2	-1.3	-1.2	.0	-.7
Profit Sharing	-1.2	.0	-.5	-.4	-.1	.0	.0	.0	.0
Net Income	34.1	7.5	6.1	5.9	5.5	3.2	2.8	1.4	1.8
ROE	1.0%	0.4%	1.1%	3.8%	5.7%	2.8%	3.3%	1.4%	2.2%
ROE (annualised)	2.1%	0.7%	2.1%	7.5%	11.4%	5.7%	6.6%	2.8%	4.4%
Net Written Premium	1,207.4	655.0	100.4	244.0	74.1	47.2	77.5	9.1	.0
Gross Earned Premium	1,147.8	688.7	72.3	178.1	86.4	52.5	68.8	.9	.0
Loss Occured	-841.4	-571.3	-7.4	-142.0	-61.6	-26.3	-31.7	-1.0	.0
Retrocession Result	-266.7	-181.0	-26.8	-11.7	-19.0	-21.0	-7.1	-.1	.0
	Total	IRB	JM	Munich	Mapfre	XL	ACE	Austral	Chartis
Net Premium** /S. Equity	45%	41%	15%	190%	57%	39%	150%	12%	
Retained / Gross Premium	63%	68%	42%	61%	38%	46%	83%	34%	
Loss Ratio	95%	114%	2%	79%	78%	81%	46%	131%	
Expense Ratio	34%	31%	107%	20%	19%	40%	53%	86%	
Comm Exp/Earned Prem	10%	4%	60%	7%	2%	0%	45%	31%	
Adm Exp / Net Premium	4%	4%	3%	5%	11%	12%	4%	6%	
Tax Exp / Net Premium	2%	3%	24%	-1%	-4%	-1%	0%	0%	
Other Op Res/Earned Prem	18%	22%	21%	9%	10%	29%	4%	49%	
Combined Ratio	129%	146%	109%	99%	97%	121%	99%	217%	
(Fin + Equity) /Earned Prem	38%	48%	30%	12%	32%	32%	9%	712%	
Adjusted Combined Ratio	92%	98%	79%	87%	66%	88%	90%	-495%	

** Annualised premium

Source: SUSEP, Terra Brasis Re

Summary of results for local reinsurance companies June 2011 versus June 2010

	Total Local Market		IRB		Other Locals	
	06/11	06/10	06/11	06/10	06/11	06/10
Gross Premium	1,183.8	871.8	632.9	460.4	551.0	411.4
Retroceded Premium	-465.4	-231.0	-222.1	-45.1	-243.3	-186.0
International Operations	22.1	32.1	22.1	32.1	.0	.0
Retrocession Premium	1.5	1.7	.0	.0	1.5	1.7
Retained Premium	742.0	640.7	432.9	447.4	309.1	193.4
Change in Reserves	-40.1	83.9	.0	.0	-40.1	83.9
Earned Premium	701.9	724.6	444.3	565.9	257.6	158.7
Retained Losses	-668.9	-571.6	-508.0	-484.6	-160.9	-87.0
Commercial Expenses	-69.1	-127.5	-16.2	-90.5	-52.9	-37.0
Tax Expenses	-32.7	-27.8	-15.9	-17.7	-16.8	-10.2
Other Oper. Expenses	-17.0	-37.1	-11.3	-37.3	-5.7	.2
Contribution Margin	-85.8	-39.4	-107.1	-64.1	21.3	24.7
Administrative Expenses	-130.0	-108.4	-93.3	-85.6	-36.7	-22.7
Industrial Result	-215.8	-147.7	-200.5	-149.7	-15.3	2.0
Financial Result	244.9	251.9	191.4	222.8	53.5	29.2
Operational Result	29.1	104.2	-9.1	73.1	38.1	31.2
Equity Pick-up	21.5	12.3	21.5	12.3	.0	.0
EBT	57.3	116.5	12.5	85.4	44.8	31.1
Income Tax	-22.0	-55.8	-2.4	-27.2	-19.6	-28.5
Profit Sharing	-1.2	-1.5	.0	.0	-1.2	-1.5
Net Profit	34.1	59.3	7.5	40.9	26.6	18.4
Shareholder's Equity	3,299.6	2,503.1	2,093.5	2,013.1	1,206.1	490.0
Net Profit / SE	1.0%	2.4%	0.4%	2.0%	2.2%	3.8%
Net Profit / SE (annual)	2.1%	4.7%	0.7%	4.1%	4.4%	7.5%

Source: SUSEP, Terra Brasis Re

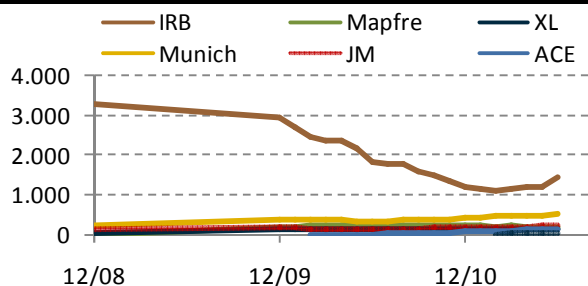
Results for local reinsurance companies, June 2011 versus June 2010

	JM		Munich		Mafre		XL		ACE	
	06/11	06/10	06/11	06/10	06/11	06/10	06/11	06/10	06/11	06/10
Gross Premium	100.4	62.3	244.0	157.9	72.6	103.2	47.2	87.8	77.5	.2
Retroceded Premium	-58.6	-42.4	-96.1	-75.3	-46.8	-59.8	-25.4	-42.2	-13.3	.0
International Operations	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
Retrocession Premium	.0	.0	.0	.0	1.5	1.7	.0	.0	.0	.0
Retained Premium	41.8	19.9	147.9	82.6	27.3	45.0	21.8	45.6	64.3	.2
Change in Reserves	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
Earned Premium	32.0	14.7	115.4	85.1	26.8	35.5	27.1	23.2	55.6	.1
Retained Losses	-5	.3	-91.1	-49.4	-20.9	-25.9	-21.8	-11.9	-25.6	.0
Commercial Expenses	-19.3	-4.9	-7.9	-17.8	-5	-6.7	.0	-7.6	-24.9	.0
Tax Expenses	-1.2	-9	-7.0	-4.7	-2.9	-1.7	-2.7	-2.5	-2.5	-4
Other Oper. Expenses	-7.6	.0	.6	.0	1.0	.0	.3	.2	.0	.0
Contribution Margin	3.4	9.3	10.0	13.2	3.5	1.2	2.9	1.3	2.5	-.3
Administrative Expenses	-8.6	-2.6	-13.5	-11.4	-2.9	-2.6	-6.3	-5.7	-2.5	-.4
Industrial Result	-5.2	6.7	-3.5	1.8	.6	-1.4	-3.4	-4.4	.0	-.6
Financial Result	9.6	4.5	13.6	12.9	8.4	5.1	8.8	5.4	4.8	1.2
Operational Result	4.3	11.2	10.1	14.7	9.1	3.7	5.3	1.0	4.9	.6
Equity Pick-up	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
EBT	11.1	11.2	10.1	14.7	9.1	3.7	5.3	1.0	4.9	.6
Income Tax	-2.8	-2.8	-2.4	-3.2	-2.2	-.6	-1.3	-.3	-1.2	-.1
Profit Sharing	-.5	.0	-.4	-1.3	-.1	-.2	.0	.0	.0	.0
Net Profit	6.1	6.7	5.9	8.3	5.5	2.5	3.2	.5	2.8	.3
Shareholder's Equity	575.5	95.3	155.3	148.3	95.3	79.8	113.0	105.1	85.7	61.6
Net Profit / SE	1.1%	7.0%	3.8%	5.6%	5.7%	3.1%	2.8%	0.5%	3.3%	0.6%
Net Profit / SE (annual)	2.1%	14.1%	7.5%	11.2%	11.4%	6.3%	5.7%	1.0%	6.6%	1.1%

Source: SUSEP, Terra Brasis Re

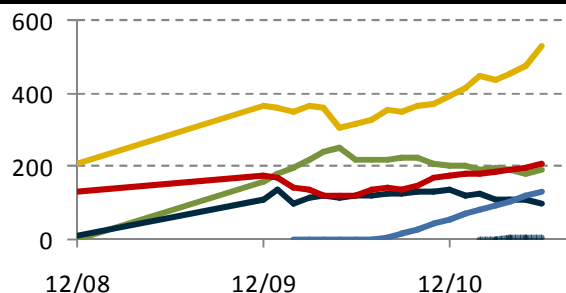
Evolution of Premium and Reserves of Local Reinsurers

Gross reinsurance premium



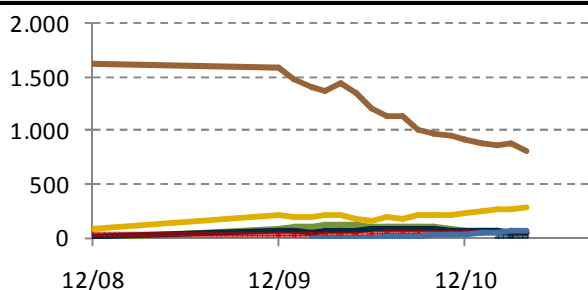
Source: SUSEP, BRL million, 12-month rolling basis

Gross reinsurance Premium (Detail)



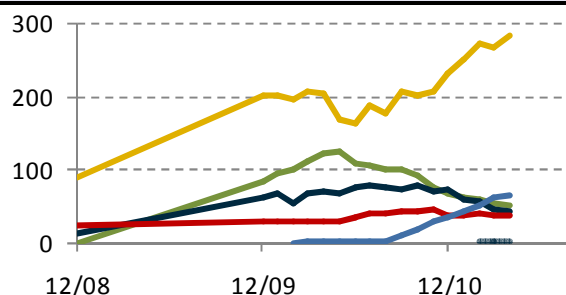
Source: SUSEP, BRL million, 12-month rolling basis

Retained reinsurance premium



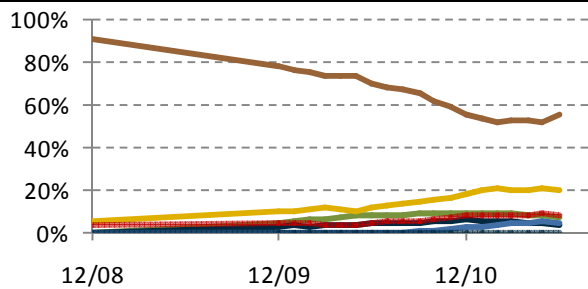
Source: SUSEP, Terra Brasis Re, BRL million, 12-month rolling basis

Retained reinsurance Premium (Detail)



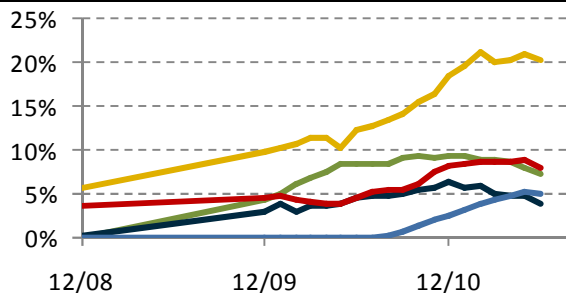
Source: SUSEP, Terra Brasis Re, BRL million, 12-month rolling basis

Market share gross reinsurance premium



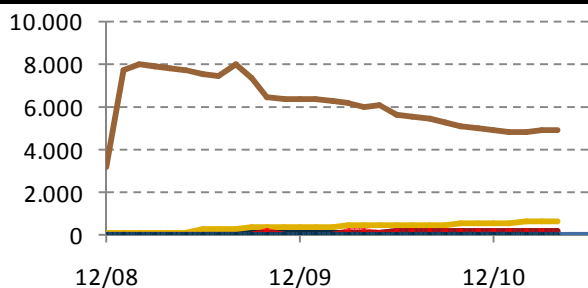
Source: SUSEP, Terra Brasis Re

Market share gross reinsurance premium (Detail)



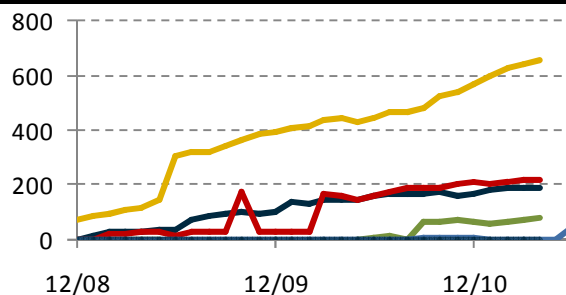
Source: SUSEP, Terra Brasis Re

Total gross reserves



Source: SUSEP, Terra Brasis Re, BRL milhões

Total gross reserves (Detail)



Source: SUSEP, Terra Brasis Re, BRL milhões

Segment Analysis

We now turn to look at the different segments that comprise the Brazilian reinsurance market. We kept SUSEP's segment classification, which is to some extent different from the international standard.

Somewhat as expected, the more significant segments of the insurance market (in terms of premium) are not the most significant for the reinsurance market. For the insurance market, Auto and Life segments are the most expressive, representing respectively 40% and 31% of the total gross insurance premium in 2010. Nevertheless, these segments do not demand significant reinsurance. For the reinsurance market, Property, Surety, Agricultural and Liability are the most significant with respectively 41%, 12%, 10% and 8% participation in 2010.

Next we will take a look at the 4 most important segments for the reinsurance market: Property, Surety, Agricultural and Liability.

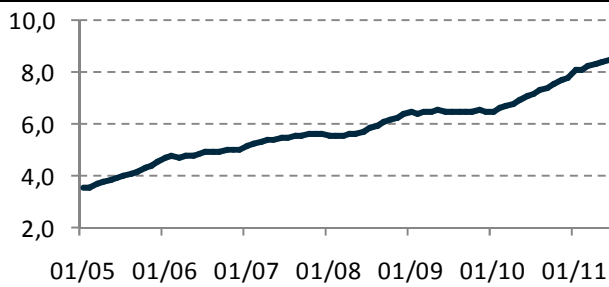
Insurance and reinsurance premium by segment

	Gross Insurance Premium		Gross Reinsurance Premium						Retrocession by Local Reinsurers		Retained Premium Local Reinsurers	
			Total	to Admitted or Occasional		to Local Reinsurers						
Property	7.792,5	15%	1.925,7	41%	1.261,2	52%	664,5	31%	276,0	35%	388,4	29%
Special Risks	172,7	0%	146,8	3%	114,4	5%	32,4	2%	22,8	3%	9,7	1%
Liability	750,0	1%	360,7	8%	279,1	12%	81,6	4%	15,0	2%	66,6	5%
Hull	572,1	1%	382,1	8%	267,5	11%	114,6	5%	59,2	7%	55,4	4%
Auto	20.054,0	40%	181,8	4%	-5,7	0%	187,5	9%	3,6	0%	183,9	14%
Transportation	1.968,9	4%	217,6	5%	133,7	6%	83,9	4%	32,1	4%	51,9	4%
Surety	898,1	2%	534,2	12%	128,6	5%	405,5	19%	199,2	25%	206,3	15%
Credit	426,2	1%	114,2	2%	33,6	1%	80,6	4%	61,0	8%	19,5	1%
Life	15.715,8	31%	259,6	6%	46,9	2%	212,7	10%	80,0	10%	132,7	10%
House Financing	1.105,3	2%	39,9	1%	9,0	0%	30,9	1%	,8	0%	30,1	2%
Agricultural	1.022,8	2%	482,4	10%	156,8	6%	325,6	15%	162,5	20%	163,0	12%
Others	,0	0%	,0	0%	,0	0%	-72,4	-3%	-118,3	-15%	45,9	3%
Total	50.478,4	100%	4.644,9	100%	2.425,0	100%	2.147,5	100%	794,0	100%	1.353,5	100%

Source: SUSEP, Terra Brasis Re, 2010 figures, figures in BRL million

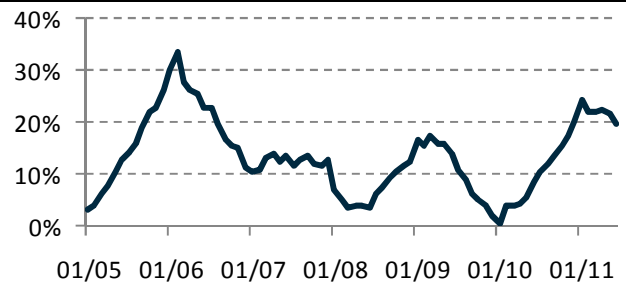
Segment: Property

Gross insurance premium property



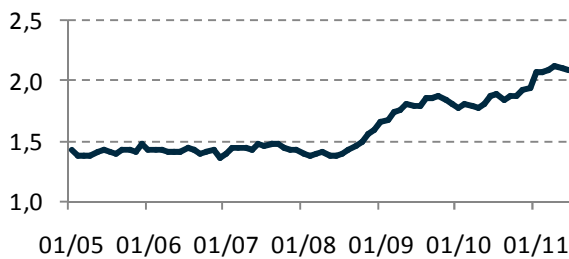
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Growth gross insurance premium property



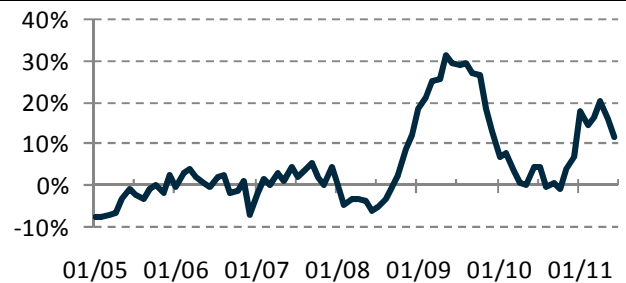
Source: SUSEP, Terra Brasis Re, 12-month rolling.

Gross reinsurance premium property



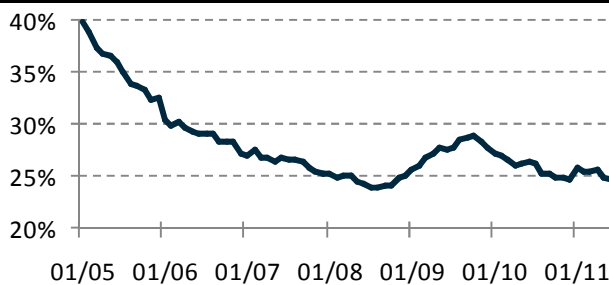
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Growth gross reinsurance premium property



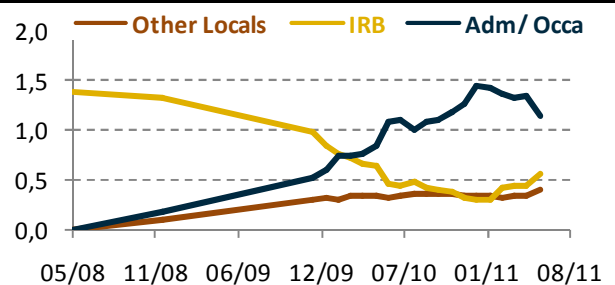
Source: Terra Brasis Re, SUSEP

Reinsurance / Insurance premium property



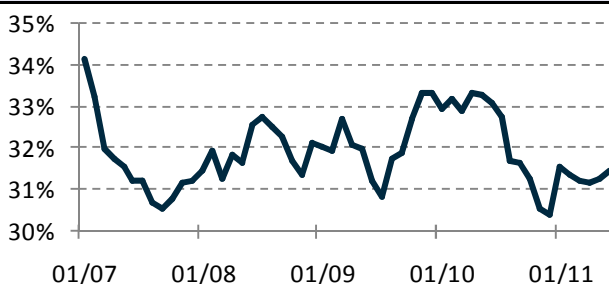
Source: SUSEP, Terra Brasis Re, 12-month rolling.

Reinsurance premium per company type property



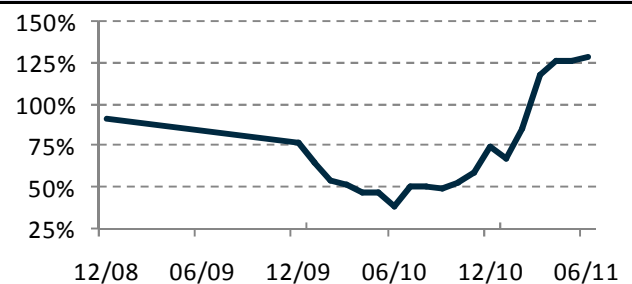
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Loss ratio insurance companies property



Source: SUSEP, Terra Brasis Re, 12-month rolling

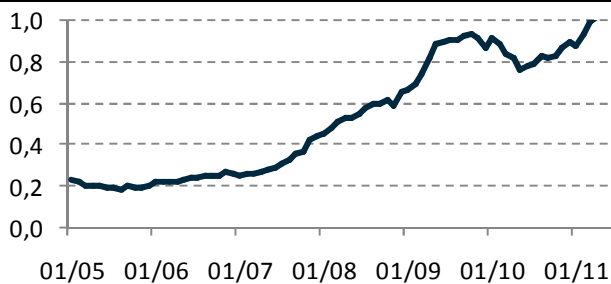
Loss ratio reinsurance companies property



Source: SUSEP, Terra Brasis Re, 12-month rolling

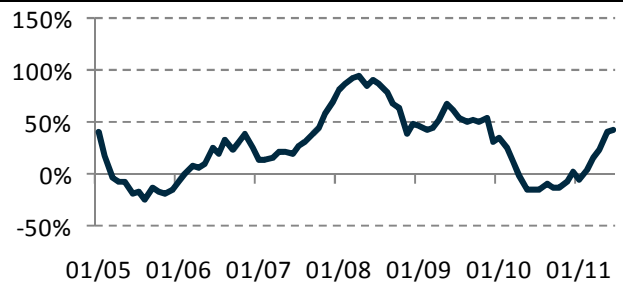
Segment: Surety

Gross insurance premium surety



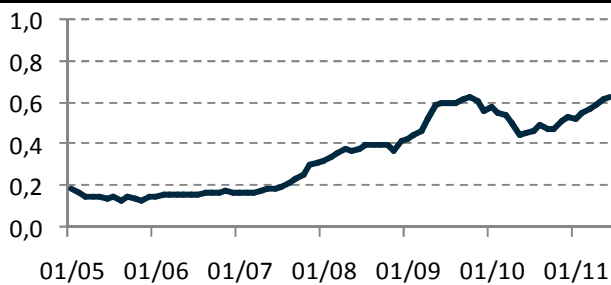
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Growth gross insurance premium surety



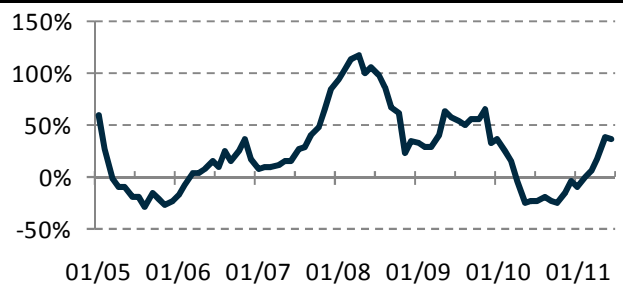
Source: SUSEP, Terra Brasis Re, 12-month rolling.

Gross reinsurance premium surety



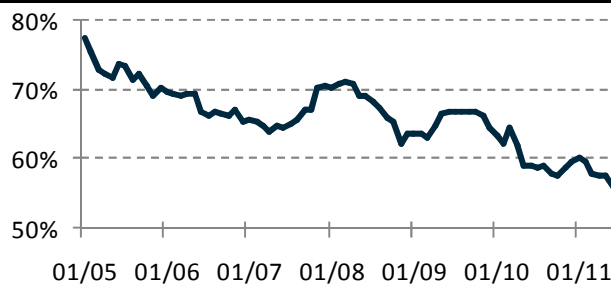
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Growth gross reinsurance premium surety



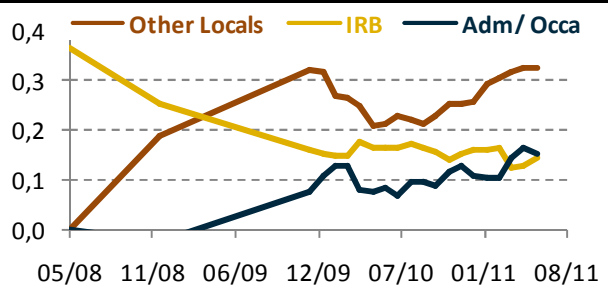
Source: Terra Brasis Re, SUSEP

Reinsurance / Insurance premium surety.



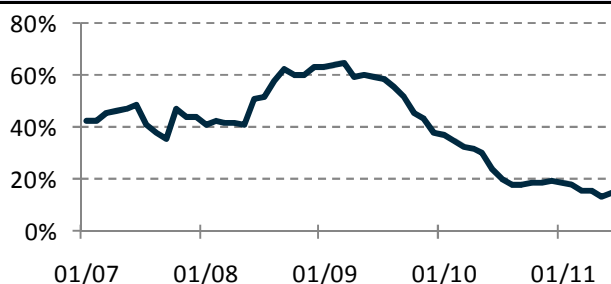
Source: SUSEP, Terra Brasis Re, 12-month rolling.

Reinsurance premium per company type surety



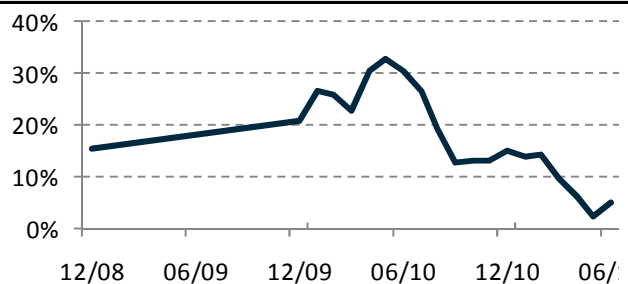
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Loss ratio insurance companies surety



Source: SUSEP, Terra Brasis Re, 12-month rolling

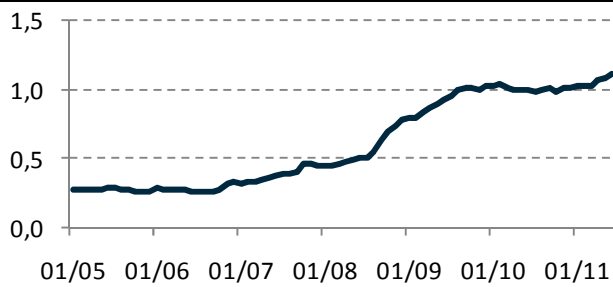
Loss ratio reinsurance companies surety



Source: SUSEP, Terra Brasis Re, 12-month rolling

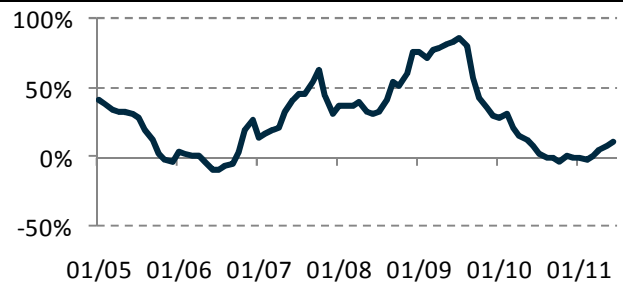
Segment: Agricultural

Gross insurance premium agricultural



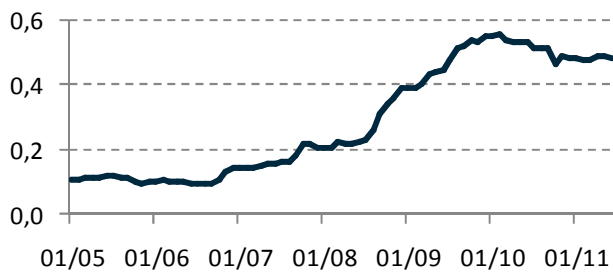
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Growth gross insurance premium agricultural



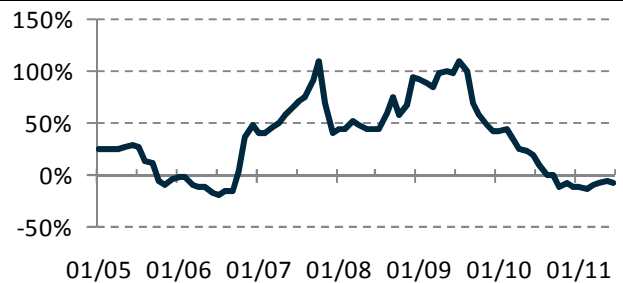
Source: SUSEP, Terra Brasis Re, 12-month rolling.

Gross reinsurance premium agricultural



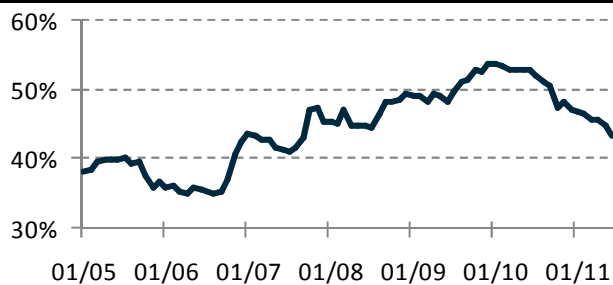
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Growth gross reinsurance premium agricultural



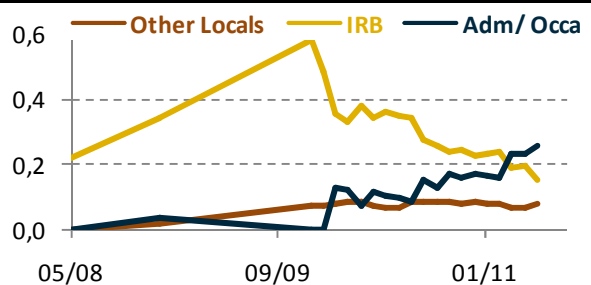
Source: Terra Brasis Re, SUSEP

Reinsurance / Insurance premium agricultural



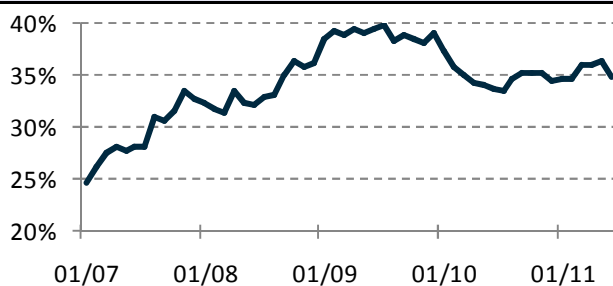
Source: SUSEP, Terra Brasis Re, 12-month rolling.

Reinsurance premium per company type agricultural



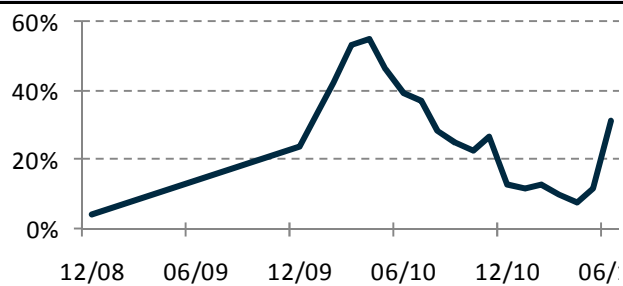
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Loss ratio insurance companies agricultural



Source: SUSEP, Terra Brasis Re, 12-month rolling

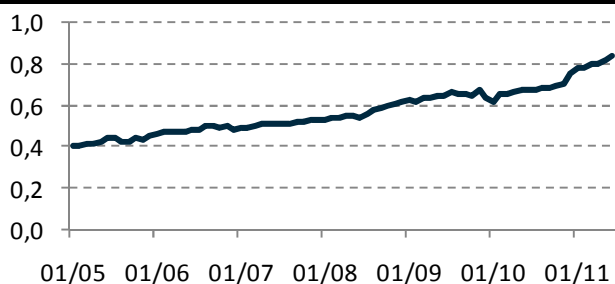
Loss ratio reinsurance companies agricultural



Source: SUSEP, Terra Brasis Re, 12-month rolling

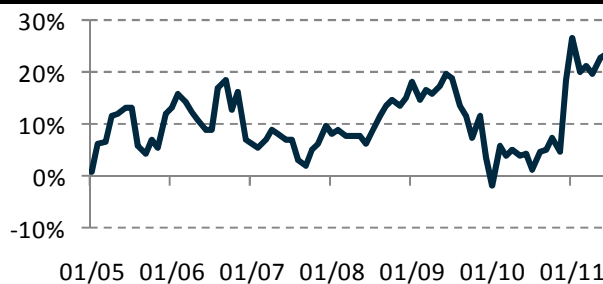
Segment: Liability

Gross insurance premium liability



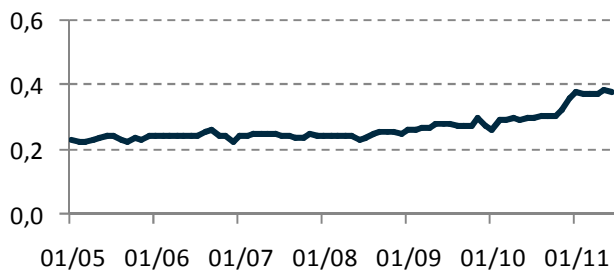
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Growth gross insurance premium liability



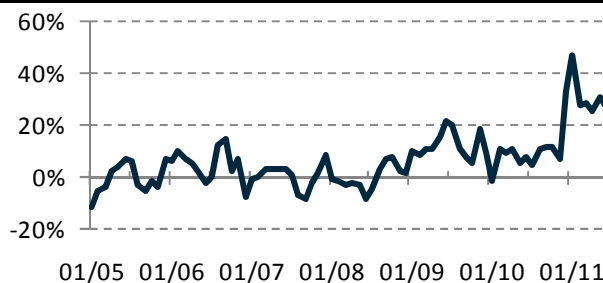
Source: SUSEP, Terra Brasis Re, 12-month rolling.

Gross reinsurance premium liability



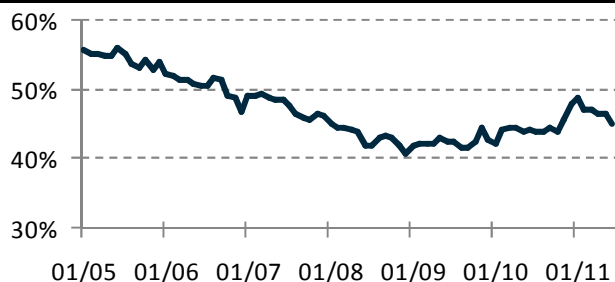
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Growth gross reinsurance premium liability



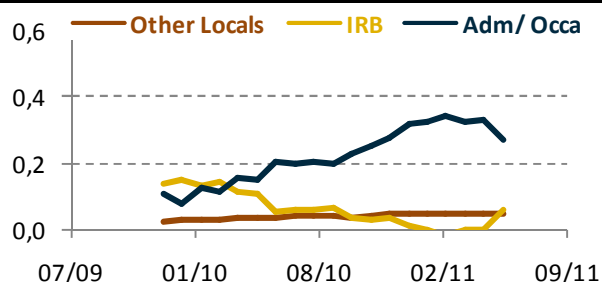
Source: Terra Brasis Re, SUSEP

Reinsurance/ insurance premium liability



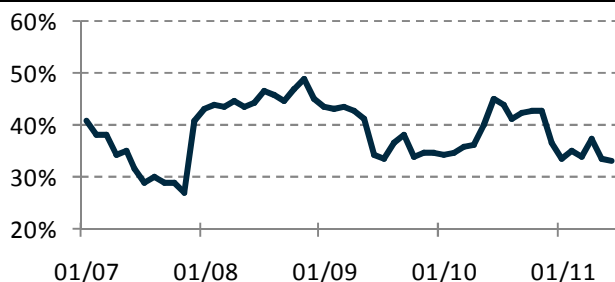
Source: SUSEP, Terra Brasis Re, 12-month rolling.

Reinsurance premium per company type liability



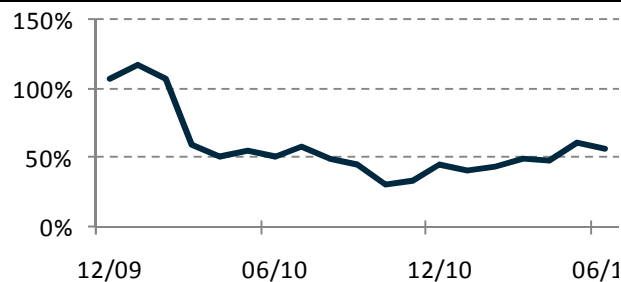
Source: SUSEP, Terra Brasis Re, BRL bn, 12-month rolling.

Loss ratio insurance companies liability



Source: SUSEP, Terra Brasis Re, 12-month rolling

Loss ratio reinsurance companies liability



Source: SUSEP, Terra Brasis Re, 12-month rolling

Contacts

Name	Title	Phone	Email
Paulo Eduardo de Freitas Botti	Chief Executive Officer	11 3320 5056	paulo.botti@terrabrasisre.com.br
Carlos Eduardo De Mori Luporini	Chief Financial & Operational Officer	11 3320 5057	carlos.luporini@terrabrasisre.com.br
Carlos Roberto De Zoppa	Chief Underwriter&Claims Officer	11 3320 5058	carlos.zoppa@terrabrasisre.com.br
Rodrigo Botti	Chief Risk Officer	11 3320 5125	rodrigo.botti@terrabrasisre.com.br
Lucas Camargo	Intern	11 3320 5164	lucas.camargo@terrabrasisre.com.br
Lara Zenari	Intern	11 3320 5060	lara.zenari@terrabrasisre.com.br

Offices

São Paulo

Av. Presidente Juscelino
Kubitschek, 1700,
12º Andar
Itaim Bibi, São Paulo, SP
04543-000

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