



Terra Report

Publication on the Brazilian Reinsurance Market

Analysis Preview of 2016 Results



Summary

SUSEP disclosed Brazilian Local Reinsurers' 2016 results. In the next few days we will release the complete Terra Report edition. In this preview we anticipate some highlights.

- The total amount of ceded reinsurance originated by Brazilian insurers (gross of commission) stood at BRL 10,17 bn. From this total, the Local Reinsurers received BRL 7,39 bn (about 73%). These figures are practically stable in relation to 2015.
- We estimate that the reinsurance premium accepted by Local Reinsurers from Offshore Cedents increased about 24%, from BRL 1,16 bn in 2015 to BRL 1,44 bn in 2016.
- Local Reinsurers' Loss Ratio stood at 66% (62% to IRB and 71% to the other locals) compared to 98% for the previous year. The Combined Ratio stood at 96% (91% to IRB and 103% to the other locals), in comparison to 101% registered in 2015 (94% to IRB and 110% to other locals).
- After Tax Earnings stood at BRL 1,14 bn, in contrast to BRL 943 mm in 2015. The annualized R.O.E (Return on Equity) for all local reinsurers stood at 16,4% (compared to 14,7% in 2015). IRB maintained stable around 25% and the combined group of other local reinsurers increased from 5,5% in 2015 to 8,0% in 2016.

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

	Consolidated Local Reinsurers		IRB		Other Local Reinsurers	
	2016/12	2015/12	2016/12	2015/12	2016/12	2015/12
Total Assets	26.759	27.069	13.489	14.269	13.269	12.800
Shareholder's Equity	6.972	6.417	3.328	3.175	3.644	3.242
Gross Written Premium	8.828	8.508	4.694	4.161	4.134	4.347
Written Premium	7.582	7.320	4.188	3.723	3.393	3.596
Earned Premium	7.389	6.910	4.162	3.746	3.226	3.164
Loss Ratio	66%	98%	62%	61%	71%	142%
Commercial Expenses/ Earned Premium	2%	2%	2%	3%	2%	2%
Administrative + Other/ Earned Premium	8%	9%	5%	6%	11%	13%
Tax/ Earned Premium	3%	3%	3%	3%	3%	3%
Retrocession Result/Earned Premium	17%	-12%	18%	21%	16%	-50%
Combined Ratio	96%	101%	91%	94%	103%	110%
Reinsurance Operational Result	284	-77	367	232	-83	-309
Financial Result and Equity Pick-up	1.490	1.453	888	811	602	643
Income Tax and Contributions	-633	-433	-405	-279	-228	-154
Net Profit for the Period	1.140	943	849	764	291	180
<i>ROE (annualized)</i>	<i>16,4%</i>	<i>14,7%</i>	<i>25,5%</i>	<i>24,1%</i>	<i>8,0%</i>	<i>5,5%</i>

Source: Susep, Terra Brasis Re

Note: Figures in BRL millions

Comparative January to December 2016 and 2015:

	Start of Operation	Written Premium (WP)		Net Profit		Market Share WP			
		2016/12	2015/12	2016/12	2015/12	2016/12		2015/12	
Total		7.582	7.320	1.140	943	100,0%		100,0%	
Total New		3.393	3.596	291	180	100,0%		100,0%	
IRB	Apr 03, 1939	4.188	3.723	849	764	55,2%		50,9%	
JM	May 23, 2008	214	156	37	60	2,8%	6,3%	2,1%	4,3%
Munich	May 23, 2008	442	384	56	14	5,8%	13,0%	5,3%	10,7%
Mapfre	Nov 14, 2008	240	154	23	17	3,2%	7,1%	2,1%	4,3%
XL	Dec 05, 2008	45	44	29	21	0,6%	1,3%	0,6%	1,2%
ACE	Nov 25, 2009	202	293	27	9	2,7%	6,0%	4,0%	8,2%
Austral	Jan 31, 2011	402	468	34	43	5,3%	11,8%	6,4%	13,0%
AIG	Apr 04, 2011	67	115	9	8	0,9%	2,0%	1,6%	3,2%
Zurich	Jan 05, 2012	506	622	46	15	6,7%	14,9%	8,5%	17,3%
Markel	Jan 17, 2012	37	25	-3	-11	0,5%	1,1%	0,3%	0,7%
Swiss	Jun 14, 2012	239	250	18	-34	3,2%	7,1%	3,4%	7,0%
Terra Brasis	Oct 04, 2012	83	93	7	-2	1,1%	2,4%	1,3%	2,6%
Allianz	Dec 05, 2008	367	527	2	19	4,8%	10,8%	7,2%	14,7%
BTG	Feb 26, 2013	211	248	50	32	2,8%	6,2%	3,4%	6,9%
Scor	Aug 06, 2014	196	150	-3	-3	2,6%	5,8%	2,1%	4,2%
AXA	Aug 25, 2014	142	66	-41	-10	1,9%	4,2%	0,9%	1,8%

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

Jan to Dec 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		8.828	14,1%	7.582	7.389	66%	2%	0%	7%	3%	13%	79%	17%	96%	284	4%	1.490	21%	1.773	1.140	25,4%	16,4%	6.972	79%
Total New		4.134	17,9%	3.393	3.226	71%	2%	1%	10%	3%	16%	87%	16%	103%	-83	-2%	602	17%	518	291	14,2%	8,0%	3.644	88%
IRB	04/1939	4.694	10,8%	4.188	4.162	62%	2%	-1%	6%	3%	11%	73%	18%	91%	367	11%	888	27%	1.255	849	37,7%	25,5%	3.328	71%
JM	05/2008	349	38,5%	214	134	34%	0%	21%	6%	4%	32%	66%	42%	108%	-11	-2%	78	12%	68	37	10,3%	5,7%	655	188%
Munich	05/2008	544	18,7%	442	468	75%	2%	-7%	9%	4%	8%	83%	13%	96%	19	5%	82	22%	100	56	27,0%	15,0%	372	68%
Mapfre	11/2008	276	13,0%	240	195	133%	2%	4%	4%	5%	14%	147%	-52%	95%	10	6%	30	18%	40	23	23,3%	13,1%	172	62%
XL	12/2008	55	19,3%	45	36	72%	3%	0%	13%	8%	24%	96%	11%	106%	-2	-1%	55	18%	53	29	16,9%	9,3%	313	566%
ACE	11/2009	220	8,1%	202	242	42%	2%	12%	8%	4%	26%	68%	27%	94%	14	12%	36	30%	49	27	42,1%	22,8%	117	53%
Austral	01/2011	457	12,1%	402	394	76%	3%	-4%	4%	2%	4%	79%	19%	98%	8	3%	37	13%	45	34	15,9%	12,0%	283	62%
AIG	04/2011	95	29,9%	67	57	187%	0%	0%	15%	4%	19%	206%	-111%	95%	3	3%	9	10%	12	9	12,7%	9,0%	95	100%
Zurich	01/2012	624	18,9%	506	545	86%	0%	0%	1%	2%	4%	90%	10%	100%	2	1%	71	30%	73	46	30,6%	19,3%	239	38%
Markel	01/2012	51	26,8%	37	35	57%	3%	8%	72%	7%	91%	147%	4%	151%	-18	-22%	13	16%	-5	-3	-6,1%	-3,9%	80	157%
Swiss	06/2012	303	21,1%	239	212	119%	3%	2%	13%	5%	23%	142%	-32%	110%	-20	-9%	52	24%	31	18	14,4%	8,5%	217	72%
Terra Brasis	10/2012	99	16,4%	83	84	82%	3%	1%	16%	2%	22%	104%	7%	111%	-9	-9%	19	18%	10	7	9,4%	7,3%	102	103%
Allianz	12/2012	403	8,9%	367	437	11%	3%	0%	13%	3%	20%	31%	82%	113%	-55	-25%	59	26%	4	2	1,7%	0,8%	224	56%
BTG	02/2013	264	19,9%	211	116	-1%	2%	9%	14%	6%	32%	31%	41%	72%	32	8%	59	14%	91	50	21,8%	12,0%	418	159%
Scor	08/2014	246	20,5%	196	165	99%	0%	0%	9%	3%	13%	112%	3%	114%	-23	-24%	22	23%	-1	-3	-1,1%	-3,0%	97	39%
AXA	08/2014	148	4,0%	142	105	68%	3%	0%	42%	4%	49%	117%	14%	131%	-33	-13%	-19	-7%	-52	-41	-20,0%	-15,8%	259	175%

Jan to Dec 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		8.508	14,0%	7.320	6.910	98%	2%	2%	7%	3%	15%	113%	-12%	101%	-77	-1%	1.454	23%	1.377	943	21,5%	14,7%	6.417	75%
Total New		4.347	17,3%	3.596	3.164	142%	2%	5%	8%	3%	18%	160%	-50%	110%	-309	-10%	643	20%	334	180	10,3%	5,5%	3.242	75%
IRB	04/1939	4.161	10,5%	3.723	3.746	61%	3%	0%	6%	3%	12%	73%	21%	94%	232	7%	811	26%	1.043	764	32,9%	24,1%	3.175	76%
JM	05/2008	247	36,9%	156	134	60%	0%	7%	7%	4%	19%	79%	15%	93%	9	1%	95	13%	103	60	14,4%	8,3%	720	292%
Munich	05/2008	465	17,4%	384	374	143%	2%	2%	10%	5%	19%	162%	-36%	126%	-99	-32%	127	40%	28	14	8,9%	4,5%	313	67%
Mapfre	11/2008	190	18,9%	154	178	109%	1%	3%	5%	5%	14%	123%	-21%	102%	-4	-2%	35	24%	32	17	21,2%	11,5%	149	78%
XL	12/2008	54	18,8%	44	50	79%	2%	0%	10%	7%	19%	98%	11%	109%	-4	-2%	40	14%	36	21	12,5%	7,4%	285	527%
ACE	11/2009	338	13,1%	293	256	98%	-1%	12%	6%	4%	22%	119%	-16%	104%	-10	-11%	22	25%	13	9	13,9%	9,6%	90	27%
Austral	01/2011	578	19,1%	468	466	67%	2%	21%	3%	1%	27%	94%	2%	97%	16	6%	53	20%	69	43	25,8%	16,2%	266	46%
AIG	04/2011	138	17,3%	115	106	470%	0%	0%	6%	5%	11%	481%	-372%	109%	-10	-12%	22	26%	12	8	14,5%	9,9%	83	60%
Zurich	01/2012	758	17,9%	622	621	107%	0%	0%	1%	3%	4%	111%	-7%	105%	-28	-15%	52	27%	23	15	12,1%	7,7%	193	25%
Markel	01/2012	33	25,2%	25	29	109%	4%	1%	47%	7%	58%	168%	11%	178%	-23	-33%	13	19%	-9	-11	-13,5%	-15,4%	69	207%
Swiss	06/2012	291	14,0%	250	209	210%	5%	0%	13%	4%	21%	231%	-102%	129%	-60	-64%	28	30%	-32	-34	-34,5%	-36,8%	93	32%
Terra Brasis	10/2012	115	18,9%	93	69	112%	3%	0%	16%	5%	24%	136%	-7%	129%	-20	-21%	16	17%	-3	-2	-3,6%	-1,8%	97	84%
Allianz	12/2012	588	10,3%	527	488	253%	4%	-1%	11%	2%	15%	268%	-163%	105%	-23	-12%	53	27%	30	19	15,1%	9,5%	199	34%
BTG	02/2013	302	17,8%	248	63	3%	0%	21%	25%	5%	51%	54%	59%	113%	-8	-2%	64	17%	55	32	15,1%	8,9%	367	122%
Scor	08/2014	181	16,8%	150	94	120%	0%	0%	15%	4%	19%	139%	-20%	119%	-18	-18%	13	13%	-5	-3	-5,1%	-2,8%	99	55%
AXA	08/2014	68	3,7%	66	28	57%	7%	0%	88%	7%	102%	159%	41%	200%	-28	-13%	11	5%	-17	-10	-7,6%	-4,4%	218	320%

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

Local Reinsurers January to December 2016 results:

Company	Start of Operation	2016/12	January to December 2016						2016/12	2015/12
		Shareholder's Equity	Gross Written Premium			Reinsurance			Gross Profit	Net Profit
			Gross Written Premium	Written Premium	Earned Premium	Operational Result	Financial Result			
IRB	04/1939	3.328	4.694	4.188	4.162	367	817	1.255	849	764
JM	05/2008	655	349	214	134	-11	78	68	37	60
Munich	05/2008	372	544	442	468	19	82	100	56	14
Mapfre	11/2008	172	276	240	195	10	30	40	23	17
XL	12/2008	313	55	45	36	-2	55	53	29	21
ACE	11/2009	117	220	202	242	14	36	49	27	9
Austral	01/2011	283	457	402	394	8	37	45	34	43
AIG	04/2011	95	95	67	57	3	9	12	9	8
Zurich	01/2012	239	624	506	545	2	71	73	46	15
Markel	01/2012	80	51	37	35	-18	13	-5	-3	-11
Swiss	06/2012	217	303	239	212	-20	52	31	18	-34
Terra Brasis	10/2012	102	99	83	84	-9	18	10	7	-2
Allianz	12/2012	224	403	367	437	-55	59	4	2	19
BTG	02/2013	418	264	211	116	32	59	91	50	32
Scor	08/2014	97	246	196	165	-23	22	-1	-3	-3
AXA	08/2014	259	148	142	105	-33	5	-52	-41	-10
Total Locals		6.972	8.828	7.582	7.389	284	1.442	1.773	1.140	943
Total without IRB		3.644	4.134	3.393	3.226	-83	625	518	291	180

Source: Susep, Terra Brasis Re

Note: Figures in BRL millions