



Terra Report

Publication on the Brazilian Reinsurance Market

Analysis Preview of 2017 March Results



Summary

SUSEP disclosed Brazilian Local Reinsurers' 2017 for the first quarter results. In the next few days we will release the full 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 2.72 bn, an increase of 15% in comparison to 2016's first quarter BRL 2.37 bn.
- The Gross Written Premium from Local Reinsurers reached BRL 2.37 bn (BRL 1.28 bn from IRB and BRL 1.10 bn from other Locals), an increase of 19% in comparison to the previous period.
- We estimate that the gross reinsurance premium accepted by Local Reinsurers from Offshore Cedents increased about 64%, from BRL 318 mm in 2016's first quarter to BRL 522 mm in 2017's first quarter.
- Local Reinsurers' Loss Ratio stood at 47% (39% to IRB and 59% to the other locals) compared to 87% for the previous period. The Combined Ratio stood at 98% (87% to IRB and 113% to the other Locals), pretty stable in comparison to 97% registered in 2016 first quarter (91% to IRB and 105% to other Locals).

Summary of Results and Main Indexes for Local Reinsurers from January to March 2017 and 2016:

	Consolidated Local Reinsurers		IRB		Other Local Reinsurers	
	2017/03	2016/03	2017/03	2016/03	2017/03	2016/03
Total Assets	27,378	26,937	13,748	14,110	13,629	12,827
Shareholder's Equity	6,755	6,227	3,091	2,899	3,664	3,328
Gross Written Premium	2,369	1,984	1,276	1,127	1,094	857
Written Premium	2,067	1,698	1,172	982	895	716
Earned Premium	1,897	1,783	1,110	1,028	788	756
Loss Ratio	47%	87%	39%	91%	59%	82%
Commercial Expenses/ Earned Premium	2%	2%	2%	3%	2%	2%
Administrative + Other/ Earned Premium	9%	9%	7%	5%	12%	14%
Tax/ Earned Premium	3%	4%	3%	4%	3%	4%
Retrocession Result/Earned Premium	36%	-5%	35%	-12%	37%	5%
Combined Ratio	98%	97%	87%	91%	112%	105%
Reinsurance Operational Result	45	48	143	88	-98	-41
Financial Result and Equity Pick-up	359	347	176	214	183	133
Income Tax and Contributions	-145	-133	-97	-90	-49	-43
Net Profit for the Period	259	261	223	212	37	49
<i>ROE (annualized)</i>	<i>15.4%</i>	<i>16.8%</i>	<i>28.8%</i>	<i>29.3%</i>	<i>4.0%</i>	<i>5.9%</i>

Source: Susep, Terra Brasis Re

Note: Figures in BRL millions

Comparative January to March 2017 and 2016:

	Start of Operation	Written Premium (WP)			Net Profit		Market Share WP			
		2017/03	2016/03	Δ A/A	2017/03	2016/03	2017/03		2016/03	
Total		2,067	1,698	22%	259	261	100.0%		100.0%	
Total New		895	716	25%	37	49	100.0%		100.0%	
IRB	04/1939	1,172	982	19%	223	212	56.7%		57.8%	
JM	05/2008	27	29	-6%	14	13	1.3%	3.0%	1.7%	4.0%
Munich	05/2008	108	112	-3%	-2	5	5.2%	12.1%	6.6%	15.6%
Mapfre	11/2008	54	66	-18%	8	7	2.6%	6.0%	3.9%	9.2%
XL	12/2008	8	14	-47%	10	10	0.4%	0.9%	0.8%	2.0%
Chubb	11/2009	17	32	-46%	-9	1	0.8%	1.9%	1.9%	4.4%
Austral	01/2011	123	53	132%	4	7	5.9%	13.7%	3.1%	7.4%
AIG	04/2011	8	11	-21%	3	-5	0.4%	0.9%	0.6%	1.5%
Zurich	01/2012	187	143	31%	2	10	9.0%	20.8%	8.4%	19.9%
Markel	01/2012	8	8	6%	-6	-8	0.4%	0.9%	0.5%	1.1%
Swiss	06/2012	39	95	-59%	-3	12	1.9%	4.4%	5.6%	13.3%
Terra Brasis	10/2012	28	26	11%	2	2	1.4%	3.2%	1.5%	3.6%
Allianz	12/2012	68	28	140%	8	-8	3.3%	7.6%	1.7%	4.0%
BTG	02/2013	75	33	122%	8	9	3.6%	8.3%	2.0%	4.7%
AXA	08/2014	81	21	286%	-8	-7	3.9%	9.1%	1.2%	2.9%
Scor	08/2014	63	46	39%	6	-1	3.1%	7.1%	2.7%	6.4%

Source: Susep, Terra Brasis Re

Note: Figures in BRL millions

Main Ratios From Local Reinsurers from January to March of 2017 and 2016

January to March 2017	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		2,369	12.7%	2,067	1,897	47%	2%	2%	7%	3%	14%	62%	36%	98%	45	3%	359	21%	405	259	24.0%	15.4%	6,755	71%
Total New		1,094	18.2%	895	788	59%	2%	3%	8%	3%	17%	76%	37%	112%	-98	-11%	183	20%	85	37	9.3%	4.0%	3,664	84%
IRB	04/1939	1,276	8.1%	1,172	1,110	39%	2%	1%	7%	3%	12%	52%	35%	87%	143	19%	176	23%	319	223	41.3%	28.8%	3,091	61%
JM	05/2008	42	36.7%	27	41	-8%	0%	19%	6%	4%	28%	20%	69%	89%	4	3%	21	13%	26	14	15.3%	8.3%	670	395%
Munich	05/2008	135	19.4%	108	110	96%	2%	1%	8%	2%	14%	109%	24%	133%	-37	-40%	40	44%	4	-2	3.9%	-1.9%	370	69%
Mapfre	11/2008	62	12.5%	54	47	65%	1%	1%	5%	3%	11%	76%	16%	91%	4	9%	10	22%	14	8	31.6%	17.3%	180	73%
XL	12/2008	10	22.3%	8	10	50%	3%	0%	8%	9%	20%	70%	7%	78%	2	3%	15	19%	18	10	22.0%	12.1%	323	815%
Chubb	11/2009	22	22.4%	17	34	66%	15%	5%	10%	2%	32%	98%	74%	171%	-24	-93%	5	21%	-19	-9	-71.7%	-34.0%	103	117%
Austral	01/2011	143	14.0%	123	131	103%	2%	3%	3%	1%	9%	112%	-9%	103%	-4	-6%	9	13%	5	4	7.7%	5.1%	282	49%
AIG	04/2011	12	31.7%	8	20	-121%	0%	2%	6%	8%	16%	-105%	201%	96%	1	4%	5	19%	6	3	22.8%	11.7%	98	203%
Zurich	01/2012	222	16.0%	187	133	42%	0%	0%	2%	3%	5%	48%	63%	111%	-15	-25%	18	30%	3	2	5.0%	2.7%	240	27%
Markel	01/2012	11	19.9%	8	9	101%	3%	-3%	60%	6%	66%	167%	22%	189%	-8	-42%	4	19%	-4	-6	-23.3%	-32.2%	76	179%
Swiss	06/2012	58	32.9%	39	31	119%	7%	6%	14%	5%	32%	151%	-1%	150%	-15	-28%	16	28%	-3	0.2%	-5.1%	219	94%	
Terra Brasis	10/2012	34	17.4%	28	28	19%	2%	0%	14%	2%	19%	37%	68%	106%	-2	-6%	4	16%	3	2	10.2%	8.5%	102	74%
Allianz	12/2012	80	15.4%	68	80	51%	3%	0%	15%	3%	21%	72%	31%	103%	-2	-4%	18	30%	15	8	25.9%	14.1%	238	74%
BTG	02/2013	93	20.2%	75	33	2%	5%	19%	15%	5%	45%	47%	54%	101%	-	-0%	15	16%	15	8	15.9%	8.8%	376	101%
AXA	08/2014	83	2.5%	81	33	8%	3%	0%	19%	4%	26%	34%	86%	120%	-7	-9%	-2	-3%	-9	-8	-12.7%	-10.9%	282	85%
Scor	08/2014	86	25.8%	63	47	89%	0%	0%	10%	2%	12%	100%	-10%	91%	4	17%	5	18%	9	6	35.1%	21.4%	103	30%

January to March 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		1,984	14.4%	1,698	1,783	87%	2%	2%	7%	4%	15%	102%	-5%	97%	48	3%	347	22%	395	261	25.4%	16.8%	6,227	78%
Total New		857	16.5%	716	756	82%	2%	4%	10%	4%	19%	101%	5%	105%	-41	-5%	133	16%	92	49	11.1%	5.9%	3,328	97%
IRB	04/1939	1,127	12.9%	982	1,028	91%	3%	1%	5%	4%	12%	103%	-12%	91%	88	12%	214	30%	302	212	41.7%	29.3%	2,899	64%
JM	05/2008	46	37.0%	29	30	117%	0%	17%	8%	5%	30%	147%	-36%	111%	-3	-2%	28	15%	25	13	13.5%	7.3%	734	403%
Munich	05/2008	118	5.5%	112	123	48%	2%	10%	9%	4%	25%	73%	26%	99%	1	1%	9	11%	10	5	12.6%	6.3%	318	67%
Mapfre	11/2008	75	12.5%	66	65	117%	1%	0%	3%	4%	9%	125%	-33%	93%	5	12%	8	21%	13	7	33.5%	18.2%	156	52%
XL	12/2008	20	26.5%	14	11	-1%	3%	0%	10%	9%	22%	21%	36%	56%	5	7%	13	18%	18	10	24.8%	13.6%	295	376%
Chubb	11/2009	38	17.5%	32	37	33%	-5%	-1%	10%	2%	6%	39%	71%	110%	-4	-16%	7	28%	3	1	12.4%	4.7%	91	59%
Austral	01/2011	62	14.6%	53	72	63%	3%	11%	4%	3%	21%	84%	14%	98%	2	2%	7	10%	8	7	12.1%	9.8%	270	109%
AIG	04/2011	15	30.6%	11	18	159%	0%	2%	11%	6%	19%	178%	-23%	155%	-10	-50%	1	7%	-8	-5	-42.4%	-23.5%	79	130%
Zurich	01/2012	167	14.5%	143	137	79%	0%	0%	1%	2%	3%	82%	17%	99%	1	2%	16	29%	17	10	30.7%	17.9%	224	33%
Markel	01/2012	12	32.4%	8	9	65%	4%	0%	118%	8%	130%	195%	17%	213%	-10	-63%	3	18%	-7	-8	-44.8%	-49.3%	63	132%
Swiss	06/2012	119	20.3%	95	74	94%	3%	1%	6%	4%	13%	107%	-19%	88%	9	33%	10	35%	19	12	67.7%	43.5%	112	23%
Terra Brasis	10/2012	32	19.9%	26	22	116%	3%	0%	14%	5%	23%	139%	-30%	109%	-2	-8%	5	21%	3	2	13.4%	8.6%	99	78%
Allianz	12/2012	33	14.9%	28	75	75%	5%	0%	20%	2%	27%	101%	30%	131%	-23	-47%	10	20%	-14	-8	-27.3%	-15.9%	200	150%
BTG	02/2013	42	19.5%	33	24	1%	0%	6%	6%	8%	20%	21%	60%	81%	5	5%	12	13%	17	9	17.8%	9.8%	376	226%
AXA	08/2014	22	3.4%	21	17	100%	5%	0%	78%	9%	91%	191%	-26%	166%	-11	-21%	1	2%	-10	-7	-19.6%	-12.4%	212	244%
Scor	08/2014	56	18.5%	46	40	193%	1%	0%	9%	2%	11%	204%	-91%	112%	-5	-20%	3	14%	-1	-1	-6.0%	-3.8%	98	44%

Total New : All reinsurers except IRB	%AE : Administrative Expenses
Gross Prem. : Gross Written Premium (BRL)	%TE : Tax Expenses
% Com : Commission paid to Cedants	%ER : Expense Ratio (%B + %OD + %DA)
Net Premium : Net Written Premium (BRL)	%CR pre RR : Combined Ratio Pre Retrocession Result (%S+%ER)
Earned Premium : Earned Premium (BRL)	%RR : Retrocession Result
% L : Losses	%CR : Combined Ratio (%S+%ER+%RR)
% B : Brokerage	RSub : Subscription Result
%OE : Other Expenses	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 from January to March 2017 results:

Company	Start of Operation	2017/03	January to March 2017					2017/03	2016/03	
		Shareholder's Equity	Gross Written Premium	Written Premium	Earned Premium	Reinsurance Operational Result	Financial Result	Gross Profit	Net Profit	
IRB	04/1939	3,091	1,276	1,172	1,110	143	161	319	223	212
JM	05/2008	670	42	27	41	4	21	26	14	13
Munich	05/2008	370	135	108	110	-37	40	4	-2	5
Mapfre	11/2008	180	62	54	47	4	10	14	8	7
XL	12/2008	323	10	8	10	2	15	18	10	10
Chubb	11/2009	103	22	17	34	-24	5	-19	-9	1
Austral	01/2011	282	143	123	131	-4	9	5	4	7
AIG	04/2011	98	12	8	20	1	5	6	3	-5
Zurich	01/2012	240	222	187	133	-15	18	3	2	10
Markel	01/2012	76	11	8	9	-8	4	-4	-6	-8
Swiss	06/2012	219	58	39	31	-15	16		-3	12
Terra Brasis	10/2012	102	34	28	28	-2	4	3	2	2
Allianz	12/2012	238	80	68	80	-2	18	15	8	-8
BTG	02/2013	376	93	75	33		15	15	8	9
AXA	08/2014	282	83	81	33	-7	3	-9	-8	-7
Scor	08/2014	103	86	63	47	4	5	9	6	-1
Total Locals		6,755	2,369	2,067	1,897	45	350	405	-1	261
Total without IRB		3,664	1,094	895	788	-98	188	85	-224	49

Source: Susep, Terra Brasis Re

Note: Figures in BRL millions