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AM Best América Latina
Brazil Reinsurance Market Outlook

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AM Best's Insurance Market Briefing – São Paulo

23/10/2025

Agenda

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2 Latin American Reinsurance Dynamics

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4 Brazil: Financial Resilience and Growth

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Market Context Overview

Market Context Overview

Brazil's Negative Outlook

AM Best maintains negative outlook requiring narrowing volatility and positive technical income for stability.

Natural Catastrophe Impact

2024 saw 82 natural disasters with USD 11.6 billion total losses but only USD 1.5 billion insured.

Latin American Context

Regional market shows increased capacity offerings and renewed offshore reinsurance interest despite challenges.

Low Insurance Penetration

Latin America maintains very low insurance penetration below 5% of GDP creating significant growth opportunities.

AM BEST SINCE 1899

BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage®

August 15, 2025

Market Segment Outlook: Brazil Reinsurance

The outlook for Brazil's reinsurance market remains Negative as tax reform tests profitability and upcoming presidential elections add uncertainty

AM Best's outlook for Brazil's reinsurance market remains Negative, based on the following factors:

- New tax reform measures that are pressuring industry profitability
- Political uncertainty as 2026 elections approach
- Regulatory restrictions on foreign assets that limit domestic reinsurers' growth abroad
- The industry's insularity, given its focus on the domestic market
- Weather-related events

On the positive side:

- Positive bottom-line results in 2024, due mainly to investment income
- Double-digit interest rates
- New initiatives for reinsurance and retrocession

Brazil's reinsurance market continues to recover, but a favorable trend needs to be sustained. The outlook will be considered Stable when the volatility of the industry's technical and bottom-line results narrows, coupled with positive technical income, amid the new tax reforms taking place in the country.

Despite an atmosphere of economic uncertainty, GDP growth was again strong in 2024, with 3.39% growth. Strong private consumption has driven an increase in demand, while growth in services and agriculture contributed to growth on the supply side. Brazil improved its primary fiscal deficit to 0.3% of GDP for 2024, from 2.3% in 2023, mainly due to strong revenue growth and a reduction in expenditures. Sustaining the improvement remains one of the main challenges for 2025. GDP growth is expected to reach 2.2% for 2025, mainly supported by high interest rates. Offsetting these positive factors, the country has faced a significant devaluation of the Brazilian real, reaching 6.18 BRL/USD as of 30 December 2024. Additionally, the upcoming

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Latin America Dynamics

Latin American Reinsurance Dynamics

82
2024 Natural Disasters

11.6
Total Economic Losses

1.5
Insured Losses

5
Insurance Penetration GDP

Strengthening Demand

- Reinsurance capacity demand driven by wide variety of natural perils and exposure growth.
- Natural perils driving increased capacity needs.
- Low penetration creates significant upside potential.
- Regional exposure growth requires enhanced coverage.

Global Capacity Interest

- International players rekindling interest after risk-averse positioning in previous years.
- Shift from 2022-2023 risk-averse positions.
- Increased competition and sufficient capital availability.
- Renewed offshore reinsurance engagement in region.

Market Softening Trends

- Overall market softening since H2 2024 with competitive pricing across lines.
- Flat renewals seeing 5-30% discounts.
- Competitive CAT pricing despite major exposures.
- Property, terrorism, and health lines affected.

Latin American Dynamics

Capacity

- Global players have rekindled interest in the region, shifting from a risk-averse position seen in 2022-2023.

Price Softening

- The overall market has been softening since the second half of 2024, reflecting increased competition and sufficient capital.
  - **Discounts**
  - **CAT Lines**

Digitalization and AI

- Fast-paced digitalization and AI are making inroads, transforming the landscape and aiming to improve efficiency, distribution, and potentially increase penetration.

Brazil’s Key Challenges

Brazil’s Key Challenges

1 Political Uncertainty Pressures

2026 presidential election creating uncertainty and pressuring investor confidence across financial sectors.

2 Currency Devaluation Impact

Brazilian real reached 6.18 BRL/USD by December 30, 2024, creating significant financial pressures.

3 Inflation Above Target

2024 inflation at 4.83% exceeds 3% target, expected to reach 5.0% by 2025 end.

4 Tax Reform Challenges

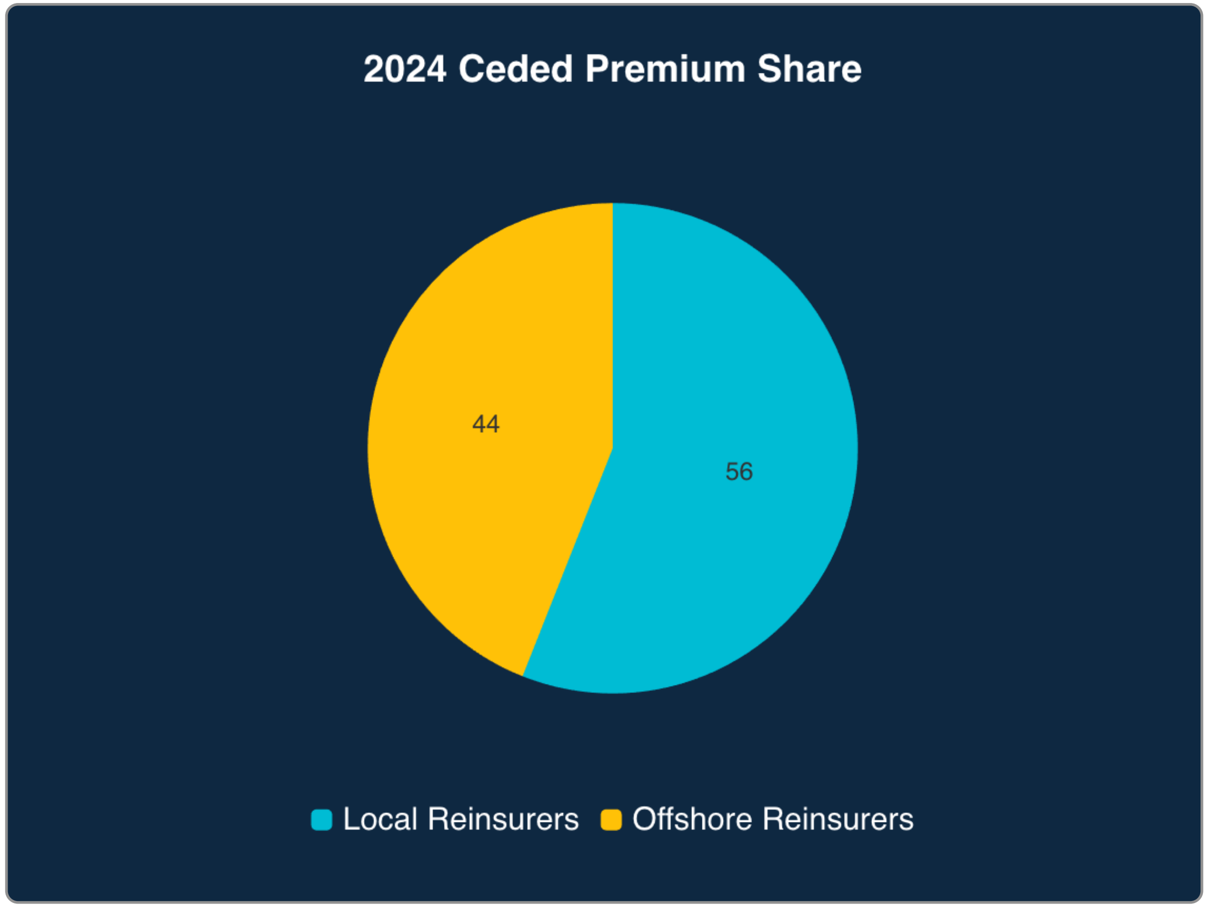
New tax measures pressure profitability, with insurance companies paying triple previous tax rates.

Brazil’s Key Challenges

Ceded Premium Shift

The Brazilian reinsurance market has experienced a notable structural shift with local reinsurers losing market share. Their share of total premium ceded by local insurers decreased significantly from approximately 70% between 2015-2018 to just 56% by end of 2024. This trend indicates growing reliance on offshore reinsurance capacity and potential competitive pressures on domestic players.

> The 14 percentage point decline represents a fundamental shift in market dynamics and risk distribution patterns.



Brazil’s Key Challenges

- Critical economic metrics demonstrating the challenging environment facing Brazil's reinsurance sector, with multiple headwinds affecting market stability and growth prospects through 2025.

Metric	2024 Actual	2025 Forecast	Impact Level	Market Effect
Currency (BRL/USD)	6.18	5.62	High	Offshore Cost
Inflation Rate	4.83%	4.9%	Medium	Operational Pressure
SELIC Interest Rate	12.3%	15%	Positive	Investment Income
Tax Burden Change	Triple	Stable	High	Profitability Decline
Political Uncertainty	High	Very High	High	Investment Hesitation

Brazil: Financial Resilience and Growth

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Performance Insights

The reinsurance market showed mixed performance across business lines in 2024. Growth drivers included property, special risks, aeronautics, and financial risk segments, while agricultural and marine lines contracted significantly due to climate vulnerability and market conditions.

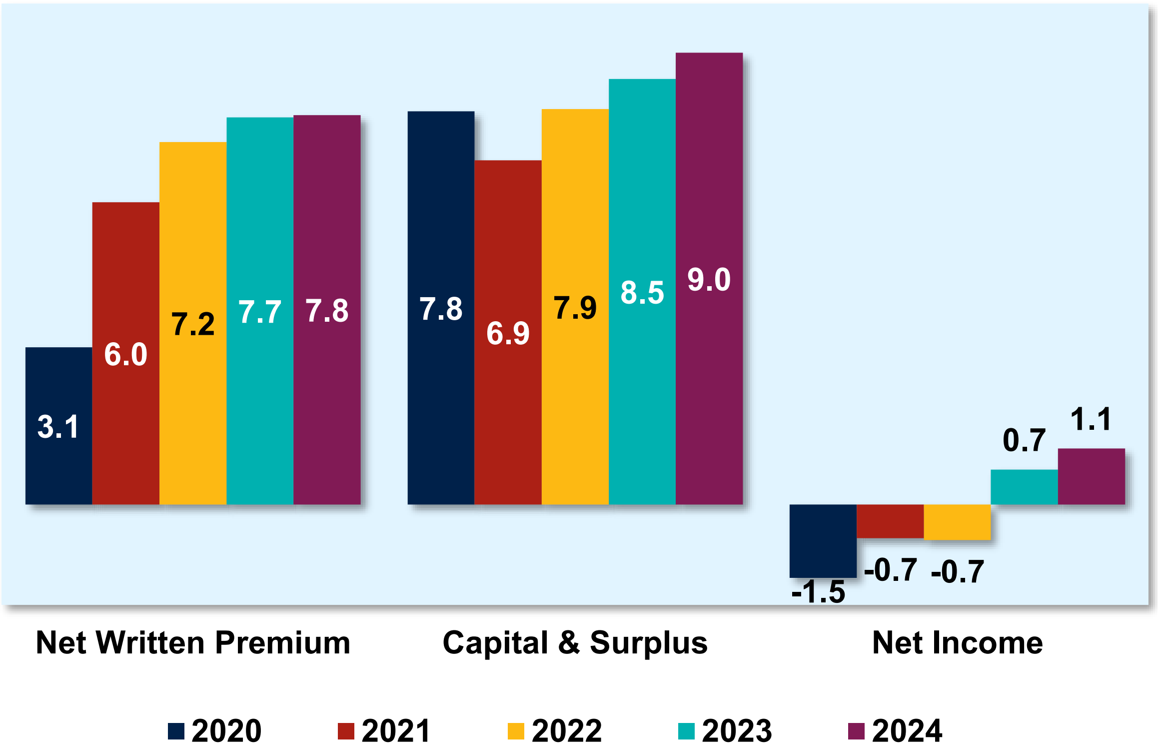
Property: Strong growth driver amid natural peril exposure.

Agriculture: 47% decline due to climate risk vulnerability.

Marine: Decreased performance reflecting market challenges.

Domestic Brazilian Reinsurers — Key Financial Indicators

(BRL billions)



Brazil: Financial Resilience and Growth

Investment Income Driver

Despite underwriting challenges, Brazil's reinsurance industry reported positive bottom-line results in 2024. The key driver was exceptional investment income performance, leveraging Brazil's high interest rate environment. The SELIC rate at 12.3% year-end significantly benefited the sector through returns on invested reserves, offsetting underwriting losses and maintaining overall profitability.

43.7%

Investment Income Growth

Brazil: Financial Resilience and Growth

Agricultural Sector Vulnerability

The agricultural segment experienced a dramatic 47% underwriting reduction in 2024 due to heightened vulnerability to climate risks. Despite innovative monitoring techniques, the sector remains highly exposed to weather-related losses, requiring enhanced risk assessment and product innovation.

Rio Grande do Sul Floods

Major flooding events in Rio Grande do Sul highlighted the severe impact of climate change on the insurance industry. These events create opportunities for insurers to develop more customized products and increase climate risk awareness among policyholders and stakeholders.

Brazil: Financial Resilience and Growth

Transformative Market Development

Brazil is actively creating improved market conditions through innovative financial instruments and regulatory evolution. The introduction of ILS-like structures and continued regulatory framework development signal a shift toward a more open, globally competitive reinsurance marketplace.

ILS Structure Introduction

Launch of 'Letra de Risco de Seguro' designed to lower insurance costs through efficient institutional investor capital.

Regulatory Framework Evolution

Continued development toward more open market for global participants including admitted and occasional reinsurers.

Digital Transformation

Fast-paced digitalization and AI adoption transforming efficiency, distribution, and market penetration capabilities.

Opportunities and Conclusions

Opportunities and Conclusions

Key Strategic Insights

The reinsurance landscape presents a complex mix of challenges and opportunities, requiring strategic navigation of regulatory changes, market dynamics, and climate risk evolution.

Brazil Outlook

- Positive bottom-line results driven by investment income.
- Sustainability challenges from tax pressure and volatility.
- Long-term stabilization requires economic reforms and profitability.

LATAM Regional Trends

- High demand driven by natural perils exposure.
- Global capacity attraction leading to competitive pricing.
- Significant growth potential through innovation and penetration.

Tax Reform Impact

Monitor profitability effects and competitive balance changes.

Underwriting Focus

Track profitability development versus investment income reliance.

Climate Innovation

Watch product development and risk management evolution.

Opportunities and Conclusions

"Long-term market stabilization requires continuing meaningful economic reforms and achieving consistent underwriting profitability beyond investment income dependency."

— AM Best Market Analysis

This fundamental insight highlights the critical transition needed in Brazil's reinsurance sector from current investment income reliance to sustainable technical profitability, supported by regulatory evolution and innovative market solutions.

Thank You

AM Best América Latina
National Scale Ratings - Brazil

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About AM Best

- AM Best is the world’s largest credit rating agency specializing in the (re)insurance industry and insurance-linked securities. Best’s Credit Ratings are an essential tool for assessing a (re)insurer’s financial strength, creditworthiness and ability to honor obligations to policyholders worldwide.

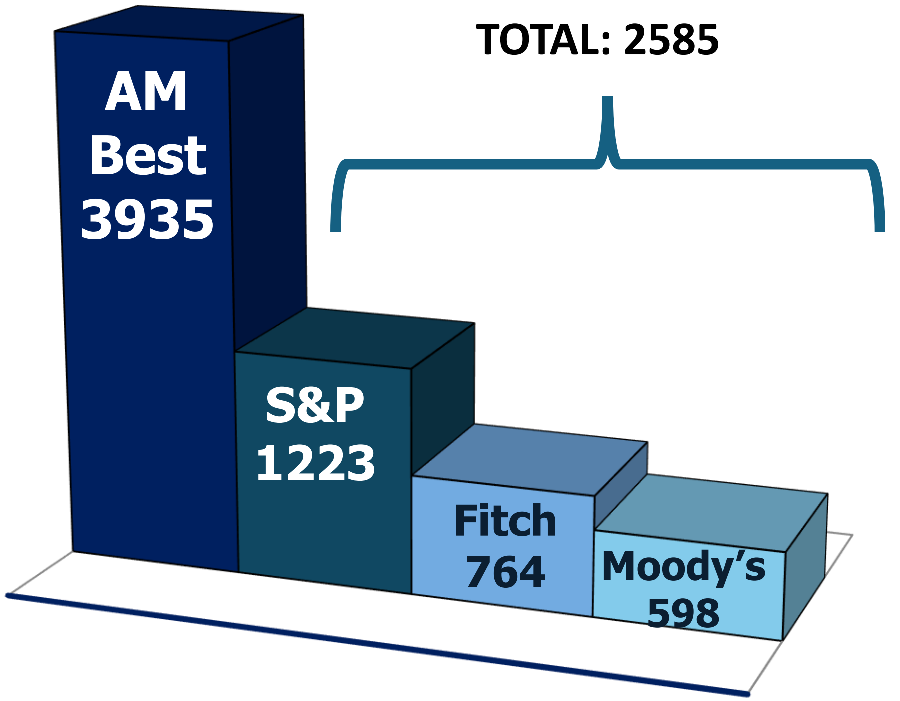
- Established in 1899, pioneered the concept of insurer “Financial Strength Ratings (FSR)” in 1906

- Provider of international ratings, financial data and news relating to the (re) insurance industry
  - Interactive ratings coverage nearly 4,000 companies, including 200+ captives in over 130 countries
  - Financial data coverage of over 16,000 companies
  - Extensive marketing and publishing capability to promote corporate ratings in local and international markets
  - Recognized market research through a broad range of Special Reports

- Only international rating agency focused on the (re) insurance industry
  - Market specific methodology
  - Analytical team specialized in the insurance market
  - Key rating agency for global broker security lists and superintendencies.
  - Leading position in International (re) insurance hubs, such as Lloyd´s / London, Bermuda, Zurich, Singapore, Miami and Mexico.

Leading Coverage in Insurance Ratings

Global Insurer Interactive Financial Strength Ratings (FSRs)



Source: AM Best , S&P, Moody's and Fitch's websites. Data as of end of 2023.

AM Best América Latina

- World's largest credit rating agency specializing in the (re)insurance industry.

- Worldwide headquarters in New Jersey, US; regional centers in London, Amsterdam, Hong Kong, Singapore, Dubai and Mexico City.

- Following companies in Mexico, Central America, South America (including Brazil) the Caribbean and other alternative risk transfer territories.

- Mexico City office follows over 110 companies in more than 22 countries as of September 2025.

What is a Credit Rating?

An independent opinion of an entity's ability to meet its ongoing, (re)insurance policy and contract obligations (FSR) or, their financial obligations, issued on either a long- or short-term basis (ICR).

FSR	ICR
A++	aaa, aa+
A+	aa, aa-
A	a+, a
A-	a-
B++	bbb+, bbb
B+	bbb-
B	bb+, bb
B-	bb-
C++	b+, b
C+	b-
C	ccc+, ccc
C-	ccc-, cc
D	c

What is a National Scale Rating?

- A Best's National Scale Rating (NSR) is a relative opinion of financial strength among companies within a country.
- NSRs were created to address country-specific limiting factors within each country—including economic, political and financial system risks, and other insurance industry factors.
- All insurers that enter AM Best's NSR process are first assigned a global Issuer Credit Rating (ICR), which is an independent opinion of an entity's ability to meet its ongoing financial obligations and is the basis for the NSR.
- The NSR is determined using a country-specific ICR-to-NSR mapping table.

Country Risk

Economic Risk		**Macroeconomy**
		Prospects
		Government Finance
Political Risk		**Business Environment**
		Government Stability
		Social Stability
		Legal System
Financial System Risk	**Non-Insurance**	**Banking System**
		Reporting Standards & Regulation
		Sovereign Debt
		Government & Legislation
	Insurance	**Supervisory Authority**
		Insurer Accountability

CRT – 1
Lowest Risk

CRT-3
Moderate Risk

CRT-5
Highest Risk

Country Risk: The risk that country-specific factors could adversely affect an insurer's ability to pay its financial obligations

Different from:

Sovereign Default Risk: Probability that a sovereign government does not pay back its debts on time and in their entirety

Mapping Global ICRs to NSRs

The evaluation of the distribution of financial strength in a country is assessed through nine individual factors:

1. Reported Capital & Surplus
2. Ratio of Cash & Fixed Income Investments to Total Investments
3. Gross Leverage Ratio
4. Gross Premiums Written
5. Return on Equity
6. Return on Assets
7. Retention Ratio
8. Combined Ratio
9. Reported Assets

Brazil National Scale Mapping

Global ICR Scale	Brazil National Scale
bbb- or above	aaa.BR
bb+	aa+.BR
bb	aa.BR to aa-.BR
bb-	a+.BR to a.BR
b+	a-.BR to bbb+.BR
b	bbb.BR to bbb-.BR
b-	bb+.BR to bb.BR
ccc+	bb-.BR to b+.BR
ccc	b.BR to b-.BR
ccc-	ccc+.BR to ccc.BR
cc	ccc-.BR to cc.BR
c	c.BR

AM Best Publicly Rated Companies in Brazil

Company	FSR	Outlook	ICR	Outlook	NSR
Allianz Global Corp & Specialty Ress BR	A+	Stable	aa	Stable	
Austral Resseguradora S.A.	A-	Stable	a-	Stable	
Austral Seguradora S.A.	A-	Stable	a-	Stable	
BTG Pactual Resseguradora S.A.	B++	Stable	bb+	Stable	
BTG Pactual S.A.	B++	Stable	bbb+	Stable	
IRB – Brasil Resseguros S.A.	A-	Stable	a-	Stable	Aaa. BR Exceptional
Junto Resseguros S.A.	A-	Positive	a-	Positive	
Junto Seguros S.A.	A-	Positive	a-	Positive	
Liberty Mutual Surety Brasil	A-	Stable	a-	Stable	

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