(A free translation of the original in Portuguese)

IRB-Brasil Resseguros S.A.

Parent Company and Consolidated financial statements at December 31, 2016 and independent auditor's report

Dear Shareholders,

We hereby submit for your appreciation the Management Report and Financial Statements of IRB Brasil RE for the fiscal year ended December 31, 2016, along with the Report of the Independent Auditors on the Financial Statements.

The Company's consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, issued by the Brazilian Accounting Pronouncements Committee (CPCs), associated with the standards and instructions of regulatory and oversight authorities applicable to reinsurance operations, and in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB).

MESSAGE FROM MANAGEMENT

The year 2016 was marked by growth and planning at IRB Brasil RE. We consolidated our organizational structure, designed the strategic map that will guide the Company's decisions in the coming years, and significantly increased our market share in the reinsurance market, strengthening our leadership position in the Brazilian reinsurance market.

In a challenging macroeconomic scenario, marked by an economic downturn, GDP retraction and rising interest rates, IRB proved to be resilient. We achieved significant development from the operational viewpoint, which, combined with our finance result, generated a total recurring net income of R$ 849.9 million in the full year, an increase of 11.3% in comparison with the same period of the previous year. The Return on Equity (ROE)* was 31.2%, an increase of 2.6 percentage points over the 28.6% reached in 2015.

We also recorded a 13.6% increase in written premiums, which totaled R$ 4.9 billion, of which 75.7% from operations in Brazil and 24.3% from operations abroad. The main contribution to this growth came from the significant market share of the Property, Agriculture and Life lines.

Other factors that contributed to the record result achieved by the Company in 2016 were: (i) the underwriting result of R$ 628.6 million, an increase of 22.9% over 2015; with a decrease in the loss ratio of 1.9 percentage points, despite unexpected climate events, from 63.8% in 2015 to 61.9% in 2016; and (ii) the finance result of more than R$ 1.0 billion, an increase of 18.3% over 2015, with a return on the Company's own assets' portfolio of 129% of the Brazilian Interbank Deposit Certificate (CDI), which is above the average return recorded by the local insurance companies.

We expanded our partnerships with key clients in the market, which allowed us to increase the Company's share of the total market by 5 percentage points (from 34% in 2015 to 39% in 2016), and our market share among national reinsurers by 3 percentage points (from 47% to 50%), according to data on the last twelve-month period ended September 2016, as disclosed by the Private Insurance Agency (SUSEP).

* Return on Equity (ROE) calculated: Net income of the year/(Equity in 2015 – Additional Dividends Proposed related to 2015 and paid on March 24, 2016).

In 2016, we managed to consolidate our operational and financial results, as evidenced by the robust figures achieved last year, which confirm the Company's leadership position in Brazil. We are ready to continue to grow and expand our market share in this important national industry, since we have the appropriate capacity, professional management, a well-trained and motivated team, as well as a solid risk management and governance structure, supported by strong international partnerships in risk mitigation. We are increasingly prepared to strengthen our presence in Brazil and Latin America.

The year 2016 was also the year in which we launched IRB Investimentos e Participações Imobiliárias S.A., our asset and real estate development management company, which, throughout the year, acquired equity interests in five shopping malls, two plots of land in downtown Rio de Janeiro, and some investment properties located in Rio de Janeiro and São Paulo. Through specialized and focused management, this new real estate company will allow the Company to create even more value from the aforementioned assets for its shareholders.

Another important step we took last year was to update our Strategic Planning, with the "2017-2019 Avançar Project". This project, in an innovative and collaborative manner, and making use of co-creation and design thinking techniques, aimed to review and establish our mission, vision and values, and create a strategic map that will guide the Company's activities up to 2019. During three months, executives and employees in general were asked to design the Company's paths for the near future. The contributions to the project were announced in the first fortnight of January 2017 at the Museum of Tomorrow in the city of Rio de Janeiro. The Company's Mission, Vision and Values were given the following definitions:

Mission

To provide solutions to the insurance market, with a focus on profitability, innovation and sustainability.

Vision

To be a company that grows and expands its results in a sustainable manner.

Values

- Agility
- High
- Performance
- Team Spirit
- Innovation
- Integrity
- Recognition.

We also increased our support to social projects in 2016, as we acknowledge the importance of encouraging the development of our employees' talents in conducting our businesses, as expressly stated in at least two of our six values: Recognition and Team Spirit. We moved forward with two important professional development programs: the project for inclusion of disabled people and the Young Apprentice program, as well as the Equilibrium Operation, aimed at promoting our employees' health and well-being. In addition, we sponsored a number of cultural projects, such as the Picasso Exhibition, and events held at Riachuelo and Maison de France Theaters, and the Cinderella play, as well as sports events, such as the Rio Open tennis tournament and the "Circuito das Estações" race series. The results of these actions are also seen internally: in the 2016 Organizational Climate Survey, which presented a 76% favorability rate, with the participation of 90% of the employees, where the Pride to work for the Company was mentioned as one of the most valued aspects. Of the total

respondents, 94% stated that the Company “gives them an opportunity to take part in activities of social or community actions”.

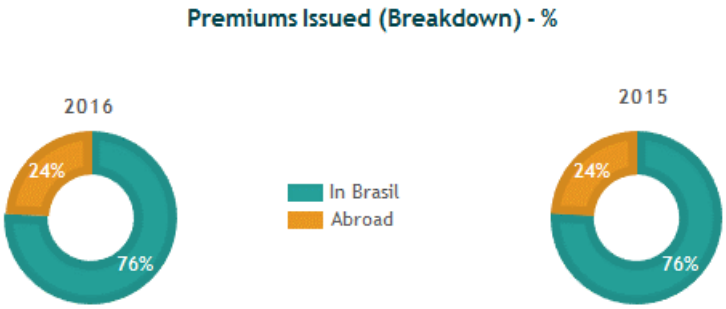
Also at the social level, we entered into partnerships with the GRAACC Hospital, the Lar Divino Amigo nursing home, the Olga Kos Institute for Social Inclusion, the Fabiana Macedo de Morais Treatment Center of the Supporting Group for Children with Cancer, and the Barretos Cancer Hospital, all of which located in the State of São Paulo, and with the Pequeno Príncipe Hospital, located in the city of Curitiba. Our Volunteer Work Program, which has four action fronts, organized a number of campaigns to raise awareness of good practices among our employees, such as the efficient waste management campaign on the Waste Disposal Day.

With the solid foundation we have built in recent years, we are prepared to face future challenges and opportunities. The implementation of actions under the strategic map, designed in connection with the “2017-2019 Avançar Project”, will permit the Company to grow in a structured and continuous manner, diversifying even more its sources of revenue and bringing innovation to its products and services, in line with our values. We are committed to continually expanding our business and, to reach our target through this strategic route we have been making significant investments in people and technology. There is a path of growth ahead of us that we must follow with determination, always embracing innovation and the contributions from all our shareholders, employees, business partners, stakeholders and society in general.

HIGHLIGHTS FOR 2016

Revenues from Premiums

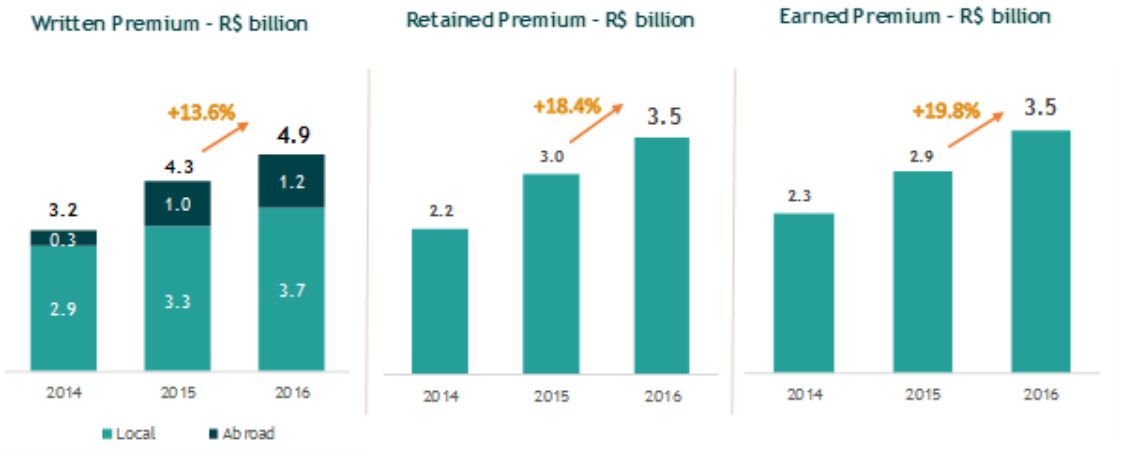
In 2016, the total volume of **written premiums** by IRB Brasil RE increased by 13.6% as compared to 2015, totaling R$ 4.9 billion. Of this amount, R$ 3.7 billion (75.7%) was issued in Brazil and R$ 1.2 billion (24.3%) abroad. This substantial increase arose mainly out of the positive contributions from the Property, Rural and Life lines, both in Brazil and abroad.



At the end of 2016, **retained premiums** increased by 18.4% as compared to 2015, totaling R$ 3.5 billion. This increase can be explained by the higher amount of premiums retained, from 69.0% in 2015 to 71.9% in 2016, an increase of 2.9 percentage points.

Earned premiums also followed the growth trend and increased by 19.8% over 2015, totaling R$ 3.5 billion accumulated for the year, influenced by the increase in the volume of written premiums and premium retained in the year.

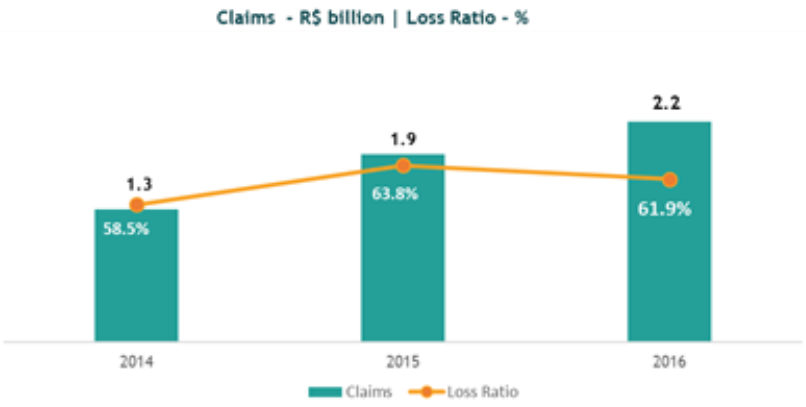
The Company's focus on obtaining new businesses and maintaining its leadership position in the Brazilian reinsurance market helped to maintain growth in the year.



Claims

In 2016, we recorded an increase of 16.3% in claims, which increased from R$ 1.9 billion in 2015 to R$ 2.2 billion in 2016. This variation is explained by the claims recognized, especially in the Agriculture segment due to (i) the drought in the Midwestern region, which adversely affected corn, soybean and coffee crops; and (ii) an increase in the historical average rainfall level in the Southern region, which caused damage to the crops.

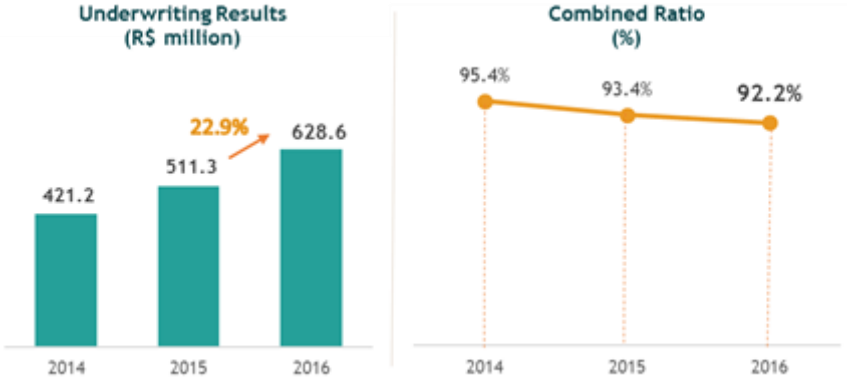
However, in 2016, the **loss ratio** dropped 1.9 percentage points, from 63.8% at the end of 2015 to 61.9% in 2016. This reduction is explained by the 19.8% increase in the premiums earned, as compared to a 16.3% increase in the loss ratio.



Underwriting Results

In 2016, **underwriting results** totaled R$ 628.6 million, an increase of 22.9% over the previous year. This growth was due to an increase in the volume of earned premiums, at a rate that exceeded that of the claims.

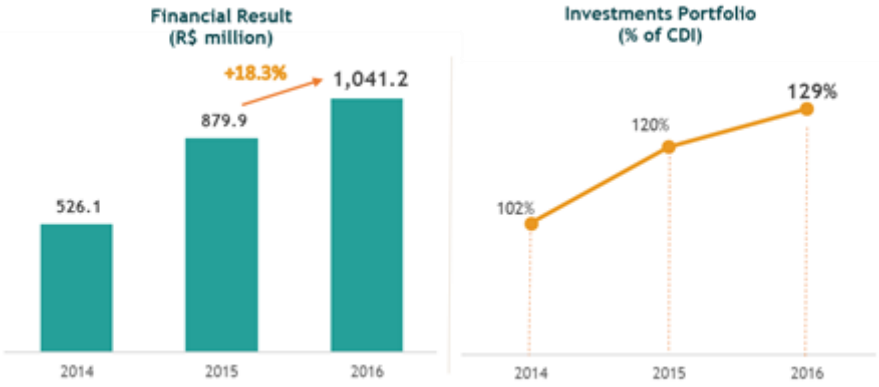
In the accumulated for the year, the **combined ratio** was 92.2%, a decrease of 1.2 percentage points as compared to the 93.4% recorded in 2015, especially due to the reduction in the loss ratio, associated with a decrease in administrative expenses.



Finance Result

In 2016, the **finance result** totaled R$ 1,041.2 million, an increase of 18.3% over 2015. At the end of 2016, the investment portfolio totaled approximately R$ 6.1 billion, with a nominal return of 18.08% in the year, generating a performance equivalent to 129% of the benchmark rate (CDI) .

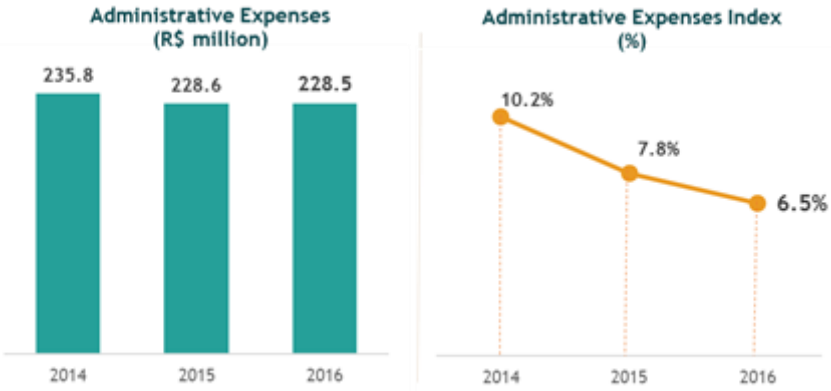
The following actions contributed to this performance: (i) position in government bonds indexed to inflation (National Treasury Notes - Series B (NTN-B)) with gains of 111% of the CDI; (ii) position in fixed-rate government bonds (National Treasury Bills (LTN)) with gains of 134% of CDI; and (iii) variable-income position with nominal gains of 35% up to December 2016.



In compliance with the provisions of item IV of Article 145 of SUSEP Circular No. 517 of July 30, 2015, IRB Brasil RE states that it has financial capacity commensurate with its operations and the intention to hold to maturity the marketable securities classified as "securities held to maturity".

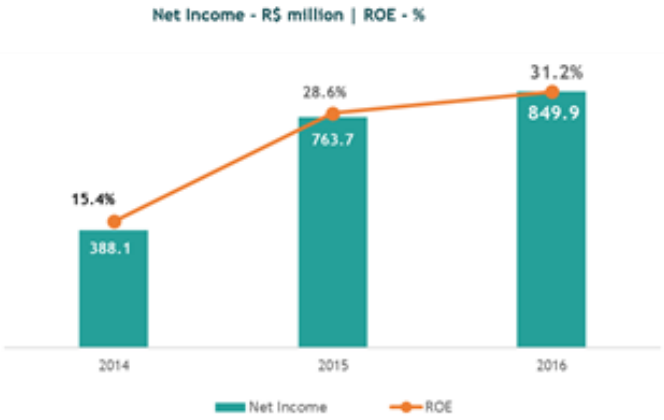
General and Administrative Expenses

At the end of 2016, **administrative expenses** remained stable, in nominal terms, as compared to 2015, totaling R$ 228.5 million. In real terms, updated by the Amplified Consumer Price Index (IPCA), this reduction was 6.7%, considering the restructuring process in search for more efficiency, without prejudice to the increase in the volume of premiums issued by the Company. Consequently, the ratio between administrative expenses and premiums earned dropped by 1.3 percentage points, from 7.8% to 6.5% in 2016.



Net Income

Net Income totaled R$ 849.9 million, an increase of 11.3% over 2015. The return on equity was 31.2%, that is, 2.6 percentage points above the 28.6% recorded in 2015. This result was achieved through an increase in the result of operations and finance result, together with an efficient administrative management focused on value generation, in line with our vision of growing and expanding our results in a sustainable manner.



Dividends and interest on capital

Throughout 2016, the Company's Board of Directors approved the distribution of R$ 219.8 million as interest on capital to its shareholders, net of taxes. The Board of Directors also proposed an additional distribution of R$ 417.6 million as dividends. The total distribution of dividends and interest on capital proposed by management for 2016 amounted to R$ 637.4 million, which accounted for 75% of the net

income recorded in the year. The proposal for the allocation of the 2016 result will be submitted to the approval of the shareholders at the Annual General Meeting of Shareholders to be held in March.

Risk Management

In 2016, the Company successfully implemented the first phase of the project for the creation of an Operational Loss Database (BDPO), in compliance with SUSEP's Circular Letter No. 492, which provides for the development of controls to capture the operating losses that will feed the database.

Another highlight for the year was the Company's early adoption of the requirements of SUSEP's Circular Letter No. 521/15, by adjusting its risk management structure to the new rules, practically one year before the implementation deadline.

The renewal of the rating granted by A.M. Best, a risk rating agency specialized in the insurance and reinsurance market, will be carried out in the first quarter of 2017. In 2016, for the fourth consecutive year, we were awarded the A- rating, which attests to our solid and robust financial position, as well as our discipline in risk underwriting and financial management, in line with our Agility, High Performance and Integrity values.

Corporate Governance

For IRB Brasil RE, corporate governance is a value to be continually improved. The Company voluntarily adopts the best governance practices applied to the capital market, showing the commitment of its controlling shareholders, management and employees.

Some examples of the good governance practices adopted are the maintenance of a Corporate Governance Office, which assists and monitors the management bodies and advisory committees, and the Governance Portal, where all the agendas and minutes of the meetings of the Board of Directors and Committees held throughout the year are available. In 2016, we also implemented a formal assessment of the performance of the members of Management by the Board of Directors, ensuring compliance with the best governance practices adopted in the capital market.

The Board of Directors of IRB Brasil RE is made up of five members with considerable knowledge of the market in which we operate. IRB Brasil RE maintains segregation of duties for the positions of Chairman of the Board of Directors and CEO. The Board of Directors is assisted by five independent statutory committees that help Management to make the best decisions for minority interests. The Company also has an independent Statutory Audit Board, made up of three regular members.

Significant Awards

In 2016, IRB Brasil RE received important awards from its strategic partners, which is in line with one of our Values: Recognition. We would like to mention the following awards:

- *Valor 1000 Yearbook* – Largest Company in Brazil, Highest Operating Profit, Highest Profit, Highest Total Assets, Highest Equity and Return on Equity. IRB Brasil RE was once again a highlight in the Financial/Reinsurance ranking of the *Valor 1000* Yearbook published by the Valor Econômico newspaper.

- Brazil Insurance Awards 2015 – "Best Brazilian Reinsurer" category. This award is organized by the LatAm Insurance Review magazine.

Relationship with Independent Auditors

In compliance with CVM Instruction No. 381/03, we inform that IRB Brasil RE and its subsidiaries adopt the formal procedure of making sure that the independence and objectivity of the independent auditors PricewaterhouseCoopers (PwC), required for the performance of independent audit services, are not affected by the rendering of services to other companies.

In the year ended December 31, 2016, PwC provided additional advisory and auditing services totaling R$ 1.1 million, in connection with the IPO process.

PricewaterhouseCoopers Auditores Independentes believes that the aforementioned services were rendered in strict compliance with the accounting standards addressing the independence of the independent auditor in audit engagements, and, therefore, did not represent a situation that might affect independence and objectivity in the performance of their external audit services.

Management Statement

Pursuant to the requirements of the Brazilian Securities Commission (CVM) Instruction No. 480/09, Management states that it has discussed, reviewed and endorsed the financial statements for the fiscal year ended December 31, 2016 taken together with the independent auditors' report.

Acknowledgements

We express our gratitude and recognition to all employees, suppliers, partners, shareholders and clients of insurance companies, for making IRB Brasil RE the number one choice reinsurer for their protection. We also thank the government representatives and brokers for their support and confidence in our mission of providing solutions to the insurance market with a focus on reliability, innovation and sustainability.

The Management

Board of Directors

President
Ana Paula Vitali Janes Vescovi

Directors
Alexsandro Broedel Lopes
Flavio Eduardo Arakaki
José Mauricio Pereira Coelho
Samuel Monteiro dos Santos Junior

Executive Board

President
Tarcísio José Massote de Godoy

Vice Presidents
Fernando Passos
José Carlos Cardoso
Lucia Maria da Silva Valle
Mario Di Croce

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
IRB Brasil Resseguros S.A.

Opinion

We have audited the accompanying parent company financial statements of IRB Brasil Resseguros S.A. ("Company"), which comprise the balance sheet as at December 31, 2016 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of IRB Brasil Resseguros S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IRB Brasil Resseguros S.A. and of IRB Brasil Resseguros S.A. and its subsidiaries as at December 31, 2016, and the parent company financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year then ended, in accordance with accounting practices adopted in Brazil, applicable to entities supervised by the Private Insurance Agency (SUSEP)

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2016, prepared under the responsibility of the Company's management and presented as supplementary information for accounting practices adopted in Brazil, applicable to entities supervised by the SUSEP, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable,

and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of these parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

IRB-Brasil Resseguros S.A.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rio de Janeiro, February 17, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" RJ

Claudia Eliza Medeiros de Miranda
Contadora CRC 1RJ087128/O-0

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IRB-Brasil Resseguros S.A.

Balance sheets at December 31

In thousands of reais

(A free translation of the original in Portuguese)

Assets	Note	Parent company 2016	Parent company 2015	Consolidated 2016	Consolidated 2015
Current		**7,095,208**	**8,619,282**	**7,170,763**	**8,672,854**
Cash and cash equivalents		213,543	13,952	217,575	18,277
Cash and banks	5	213,543	13,952	217,575	18,277
Investments	6	836,280	2,060,711	861,473	2,066,856
Credits of reinsurance and retrocession	7.1	2,370,691	2,188,472	2,371,340	2,188,489
Operations with insurers	7.2.1	1,822,044	1,813,138	1,822,044	1,813,138
Operations with reinsurers	7.2.2	558,334	403,458	558,334	403,458
Other operating credits		56,358	120,492	57,007	120,509
(-) Reserve for credit risks	7.3	(66,045)	(148,616)	(66,045)	(148,616)
Retrocession assets - technical reserves		3,562,951	4,212,755	3,592,653	4,254,580
Premium - Retrocessium	8.2	672,981	716,063	672,981	716,063
Losses - Retrocessium	8.1	2,872,589	3,476,261	2,902,291	3,518,086
Other reserves	8.3	17,381	20,431	17,381	20,431
Securities and receivables		108,423	142,145	124,402	143,405
Securities and receivables	9	6,794	11,053	22,753	12,313
Tax and social security credits	10.1	101,629	131,092	101,649	131,092
Prepaid expenses		3,320	1,247	3,320	1,247
Non-current		**6,394,089**	**5,649,413**	**6,356,053**	**5,665,778**
Long term receivables		6,054,449	5,375,606	5,862,291	5,292,824
Investments	6	4,934,818	4,186,565	4,735,168	4,103,783
Securities and receivables		1,119,631	1,189,041	1,127,123	1,189,041
Securities and receivables	9	31,859	28,118	26,728	28,118
Tax and social security credits	10.1	165,066	206,190	165,066	206,190
Deferred tax assets	10.1	351,907	480,691	351,907	480,691
Judicial and fiscal deposits	20	570,799	474,042	583,422	474,042
Investments		230,645	174,545	384,767	273,676
Corporate shares	1.3	224,393	-	-	-
Properties for sale	11	6,146	174,431	384,661	273,562
Other investments		106	114	106	114
Property and equipment	12	46,719	35,905	46,719	35,921
Intangible assets	13	62,276	63,357	62,276	63,357
Total Assets		**13,489,297**	**14,268,695**	**13,526,816**	**14,338,632**

Liabilities and Equity	Note	Parent company 2016	Parent company 2015	Consolidated 2016	Consolidated 2015
Current		**9,363,458**	**10,290,813**	**9,400,977**	**10,360,750**
Accounts payables		202,110	158,815	209,314	183,649
Payables	14.1	114,630	79,637	115,941	81,272
Taxes and social charges payable		29,527	22,113	29,527	22,113
Labor reserves	21	7,849	7,212	7,849	7,212
Reserves for post-employment benefits	14.2 e 24.1	32,771	35,582	32,771	35,582
Reserves for taxes and contributions	15	17,333	14,271	18,490	14,271
Reserves for devaluation of investments		-	-	4,736	23,199
Debits of reinsurance and retrocession operations	16.1	1,211,386	1,038,195	1,211,652	1,038,535
Operations with insurers	16.2.1	269,827	156,082	269,827	156,082
Operations with insurers	16.2.2	861,092	676,759	861,092	677,078
Reinsurance and retrocession brokers		49,117	52,500	49,383	52,521
Other operating debits		31,350	152,854	31,350	152,854
Third-party deposits		-	2,917	-	2,917
Anticipated premium collection		-	2,917	-	2,917
Technical reserves - reinsurers and retrocessions		7,949,962	9,090,886	7,980,011	9,135,649
Elementary and life group lines		7,949,962	9,090,886	7,980,011	9,135,649
Unearned premium reserve	17.1	1,648,963	1,838,199	1,648,963	1,838,199
Current risks issued		1,460,043	1,663,975	1,460,043	1,663,975
Current risks not issued		188,920	174,224	188,920	174,224
Losses outstanding	17.2	4,653,164	5,922,313	4,653,516	5,923,334
Reserves for claims incurred but not reported	17.2	1,547,368	1,265,900	1,577,065	1,309,642
Other reserves	17.4	100,467	64,474	100,467	64,474
Non-current		**797,622**	**803,287**	**797,622**	**803,287**
Long term payables		797,622	803,287	797,622	803,287
Accounts payable		738,660	682,314	738,660	682,314
Reserves for taxes and contributions	20	389,427	353,107	389,427	353,107
Reserves for post-employment benefits	14.2 e 24.1	348,923	328,897	348,923	328,897
Other payables	14.1	310	310	310	310
Debits of reinsurance and retrocession operations		789	789	789	789
Other operating debits		789	789	789	789
Other contingent liabilities	20	58,173	120,184	58,173	120,184
Tax contingencies		-	66,053	-	66,053
Labor contingencies		53,732	50,379	53,732	50,379
Other reserves		4,441	3,752	4,441	3,752
Equity		3,328,217	3,174,595	3,328,217	3,174,595
Share capital	22.1	1,453,080	1,453,080	1,453,080	1,453,080
Revenue reserves	22.3	1,535,821	1,360,814	1,535,821	1,360,814
Carrying value adjustments	22.4	(65,289)	(80,405)	(65,289)	(80,405)
Adittional dividends proposed	22.6	417,561	454,062	417,561	454,062
Treasury shares	22.2	(12,956)	(12,956)	(12,956)	(12,956)
Total Liabilities and Equity		**13,489,297**	**14,268,695**	**13,526,816**	**14,338,632**

The accompanying notes are an integral part of these financial statements

Statement of income
Years ended December 31
In thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		2016	2015	2016	2015
Net premium earned		4,188,263	3,723,449	4,188,263	3,723,449
Changes in technical reserves		(26,088)	22,662	(26,088)	22,662
Premiums earned	23.1	**4,162,175**	**3,746,111**	**4,162,175**	**3,746,111**
Incurred claims	23.2	**(2,589,635)**	**(2,285,679)**	**(2,589,635)**	**(2,287,603)**
Direct claims		(2,322,882)	(1,972,100)	(2,322,882)	(1,973,677)
Salvages and reimbursements		99,936	74,953	99,936	74,953
Changes in reserve for claims incurred but not reported		(366,689)	(388,532)	(366,689)	(388,879)
Acquisition costs	23.3	**(103,521)**	**(95,430)**	**(103,521)**	**(95,430)**
Commission		(103,521)	(95,430)	(103,521)	(95,430)
Other operating revenue and expenses	23.5	**20,829**	**9,217**	**22,610**	**11,969**
Result with retrocession	23.4	**(752,135)**	**(792,310)**	**(752,135)**	**(792,310)**
Revenue with retrocession	23.4.1	537,826	547,442	537,826	547,442
Expenses with retrocession	23.4.2	(1,260,402)	(1,289,209)	(1,260,402)	(1,289,209)
Salvage and reimbursements	23.4.1	(43,255)	(54,388)	(43,255)	(54,388)
Other operating revenue and expenses		13,696	3,845	13,696	3,845
Administrative expenses	23.6	**(236,536)**	**(238,786)**	**(260,807)**	**(266,605)**
Expenses with taxes	23.7	**(134,153)**	**(111,018)**	**(135,540)**	**(111,018)**
Finance results	23.8	**816,738**	**798,114**	**818,423**	**799,423**
Finance income		**1,251,274**	**1,395,684**	**1,252,284**	**1,395,698**
Financial income from the investment portfolio		1,174,163	1,305,474	1,174,614	1,305,488
Other finance income		77,111	90,210	77,670	90,210
Finance costs		**(434,536)**	**(597,570)**	**(433,861)**	**(596,275)**
Financial costs from the investment portfolio		(247,720)	(543,533)	(247,045)	(542,238)
Other finance costs		(186,816)	(54,037)	(186,816)	(54,037)
Equity results	23.9	**71,229**	**12,651**	**79,843**	**15,450**
Net profit from leased properties		14,730	37,955	62,665	37,955
Adjustments to investments in subsidiaries		39,321	(2,798)	-	-
Other net equity revenue		17,178	(22,506)	17,178	(22,505)
Operating results		**1,254,991**	**1,042,870**	**1,241,413**	**1,019,987**
Income with non-current assets		**-**	**21**	**-**	**21**
Profit before taxes and participations		**1,254,991**	**1,042,891**	**1,241,413**	**1,020,008**
Income tax	23.10	(197,994)	(158,160)	(200,388)	(158,277)
Social contribution	23.10	(190,223)	(98,013)	(191,151)	(98,013)
Profit share		(16,900)	(23,000)	-	-
Net profit for the year		**849,874**	**763,718**	**849,874**	**763,718**
Number of shares		**310,698,900**	**310,698,900**	**310,698,900**	**310,698,900**
Basic and diluted earnings per share		**2.74**	**2.46**	**2.74**	**2.46**

The accompanying notes are an integral part of these financial statements

	Note	Parent company and Consolidated 2016	2015
Net profit for the year		**849,874**	**763,718**
Other comprehensive income			
Items to be recorded later in results			
Exchange differences in translation of operations abroad	**22.4**	**(887)**	**8,537**
Financial assets available-for-sale	**22.4**		
Net gain (loss) arising from reassessment of financial assets available-for-sale in the year		87,282	(122,322)
Unrealized gains and losses with marketable securities - subsidiaries		(82)	(23)
Income tax and social contribution		**(39,277)**	**57,014**
		47,036	**(56,794)**
Items that will not be reclassified to results			
Post-employment benefits	**22.4**		
Remeasurement of post-employment liabilities		(57,103)	12,077
Remeasurement of post-employment liabilities - subsidiaries		665	(1,465)
Income tax and social contribution		**24,518**	**(5,435)**
		(31,920)	**5,177**
Total other comprehensive income		**15,116**	**(51,617)**
Total comprehensive income for the year		**864,990**	**712,101**

The accompanying notes are an integral part of these financial statements

Consolidated statement changes in equity

In thousands of reais

(A free translation of the original in Portuguese)

	Note	Capital	Revenue reserves		Treasury shares	Carrying value adjustments	Retained earnings	Proposal for additional dividend distribution	Parent Company´s owner´s equity
			Legal	Reinvestment					
At January 1, 2015		**1,453,080**	**283,670**	**973,193**	**(12,956)**	**(28,788)**		**285,733**	**2,953,932**
Fair value adjustments of marketable securities	22.4	-	-	-	-	(65,331)	-	-	(65,331)
Accumulated translation adjustments	22.4	-	-	-	-	8,537	-	-	8,537
Actuarial gain on post-employment benefits	22.4	-	-	-	-	5,177	-	-	5,177
Net profit for the year		-	-	-	-	-	763,718	-	763,718
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(51,617)**	**763,718**	**-**	**712,101**
Total distributions to shareholders									
Proposal for profit -sharing									
Additional dividend paid in 2014		-	-	-	-	-	-	(285,733)	(285,733)
Constitution of Legal reserve		-	6,947	-	-	-	(6,947)	-	-
Constitution of Reinvestment reserve	22.3	-	-	273,004	-	-	(273,004)	-	-
Distribution of dividends	22.6	-	-	-	-	-	(483,767)	454,062	(29,705)
Distribution of interest on capital	22.6	-	-	(176,000)	-	-	-	-	(176,000)
Total shareholders contributions and distributions to shareholders		**-**	**6,947**	**97,004**	**-**	**-**	**(763,718)**	**168,329**	**(491,438)**
At December 31, 2015		**1,453,080**	**290,617**	**1,070,197**	**(12,956)**	**(80,405)**	**-**	**454,062**	**3,174,595**
At January 1, 2016		**1,453,080**	**290,617**	**1,070,197**	**(12,956)**	**(80,405)**		**454,062**	**3,174,595**
Fair value adjustments of marketable securities	22.4	-	-	-	-	47,923	-	-	47,923
Accumulated translation adjustments	22.4	-	-	-	-	(887)	-	-	(887)
Actuarial gain on post-employment benefits	22.4	-	-		-	(31,920)	-	-	(31,920)
Net profit for the year		-	-	-	-	-	849,874	-	849,874
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**15,116**	**849,874**	**-**	**864,990**
Total distributions to shareholders									
Proposal for profit -sharing									
Additional dividend paid in 2015		-	-	(14,700)	-	-	-	(454,062)	(468,762)
Constitution of Reinvestment reserve	22.1	-	-	432,313	-	-	(432,313)	-	-
Distribution of dividends	22.6	-	-	-	-	-	(417,561)	417,561	-
Distribution of interest on capital	22.3	-	-	(242,606)	-	-	-	-	(242,606)
Total distributions to shareholders		**-**	**-**	**175,007**	**-**	**-**	**(849,874)**	**(36,501)**	**(711,368)**
At December 31, 2016		**1,453,080**	**290,617**	**1,245,204**	**(12,956)**	**(65,289)**	-	**417,561**	**3,328,217**

The accompanying notes are an integral part of these financial statements

IRB-Brasil Resseguros S.A.

Statements of cash flows (Direct Method)
Years ended December 31
In thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2016	2015	2016	2015
Operating activities				
Receipt of insurance premiums, social security contributions and management fees and others	4,338,640	4,116,644	4,340,273	4,118,610
Claims and commission recovery	502,099	762,975	505,543	765,118
Other operating receipts (salvage, reimbursements and others)	201,653	105,263	203,093	105,263
Payments for losses, benefits, redemptions and commission	(3,113,012)	(2,560,435)	(3,115,213)	(2,562,727)
Transfer of premiums due to risk cession	(1,086,334)	(1,328,140)	(1,086,334)	(1,328,140)
Payments of expenses and liabilities	(252,647)	(312,203)	(259,347)	(317,856)
Other operating payments	(342,658)	(100,231)	(343,963)	(101,012)
Receipt of rental	10,285	39,068	34,185	39,068
Receipts of interest and dividends	17,642	15,193	18,039	15,653
Constitution of judicial deposits	(57,769)	(33,182)	(57,769)	(33,182)
Cash from operations	217,899	704,952	238,507	700,795
Taxes and contributions paid	(358,055)	(421,611)	(361,749)	(421,611)
Financial investments				
Investments at fair value through profit or loss	(3,659,342)	(4,036,468)	(3,683,196)	(4,036,468)
Sales and redemptions of investments at fair value through profit or loss	3,957,552	4,183,682	3,962,632	4,183,682
Net financial investments	298,210	147,214	279,436	147,214
Net cash from operating activities	**158,054**	**430,555**	**156,194**	**426,398**
Investing activities				
Investments available-for-sale	(4,908,967)	(2,797,168)	(4,923,363)	(2,707,759)
Sales and redemptions of investments available-for-sale	5,684,720	2,354,096	5,812,759	2,358,545
Investments held to maturity	-	(1,718,172)	-	(1,718,172)
Sales and redemptions of investments held to maturity	17,875	2,226,048	17,875	2,226,048
Payment for the purchase of:				
Property and equipment	(19,152)	(10,548)	(19,152)	(10,548)
Intangible assets	(20,454)	(22,463)	(20,454)	(22,463)
Investments	-	-	(111,366)	(99,131)
Receipt for the sale of:				
Property and equipment	1,035	256	1,035	256
Net cash used in investing activities	**755,057**	**32,049**	**757,334**	**26,776**
Financing activities				
Distribution of dividends and interest on capital	(680,891)	(478,670)	(680,891)	(478,670)
Net cash used in financing activities	**(680,891)**	**(478,670)**	**(680,891)**	**(478,670)**
Decrease in cash and cash equivalents	232,220	(16,066)	232,637	(25,496)
Exchange variation in cash and cash equivalents	(32,629)	20,507	(33,339)	30,485
Increase in cash and cash equivalents after exchange variation	**199,591**	**4,441**	**199,298**	**4,989**
Cash and cash equivalents at the beginning of the year	**13,952**	**9,511**	**18,277**	**13,288**
Cash and cash equivalents at the end of the year	**213,543**	**13,952**	**217,575**	**18,277**

The accompanying notes are an integral part of these financial statements

	Parent company		Consolidated	
	2016	2015	2016	2015
Reconciliation between profit for the year and net cash from operating activities				
Net profit for the year	**849,874**	**763,718**	**849,874**	**763,718**
Adjustments to profit				
Depreciation and amortization	30,157	27,088	32,336	27,114
Impairment of assets	(16,331)	3,931	(16,331)	3,917
Reserve/reversal for impairment of trade receivables	(59,742)	(2,301)	(59,742)	(2,301)
Gain on disposal of property and equipment and intangible assets	600	(21)	600	(21)
Equity result	(39,321)	2,798	-	-
Other adjustments	32,317	20,507	31,307	19,719
Changes in equity accounts				
Financial investments	(230,167)	(823,192)	(249,981)	(823,167)
Credits of insurance and reinsurance operations	(361,410)	(243,050)	(362,108)	(243,031)
Retrocession assets	649,805	(558,206)	649,805	(555,940)
Tax and social security credits	179,418	(93,502)	179,418	(93,502)
Prepaid expenses	(2,080)	(288)	(2,080)	(288)
Other assets	610	9,259	(22,447)	10,598
Judicial and fiscal deposits	(96,757)	(55,688)	(96,757)	(55,688)
Trade payables	46,882	2,298	46,607	2,298
Taxes and contributions	30,432	8,034	31,589	8,034
Debits of insurance and reinsurance operations	292,637	140,578	292,637	138,386
Thirty-party deposits	(2,917)	(14,071)	(2,917)	(14,071)
Technical reserves - insurance and reinsurance	(1,140,924)	1,262,551	(1,141,425)	1,262,207
Other liabilities	20,662	(49,742)	21,500	(51,438)
Judicial reserves	(25,691)	29,854	(25,691)	29,854
Net cash from operations	**158,054**	**430,555**	**156,194**	**426,398**

IRB-Brasil Resseguros S.A.

Statement of value added
Years ended December 31
In thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2016	2015	2016	2015
Revenue				
Revenue from insurance operations	4,188,263	3,723,449	4,188,263	3,723,449
Others	(108,982)	(46,591)	(107,201)	(43,839)
Provision for impairment of trade receivables	59,742	2,301	59,742	2,301
Changes in technical reserves	(26,088)	22,662	(26,088)	22,662
Net operating revenue	**4,112,935**	**3,701,821**	**4,114,716**	**3,704,573**
Benefits and losses				
Losses	(2,322,882)	(1,972,100)	(2,322,882)	(1,973,677)
Changes in reserve for claims incurred but not reported	(366,689)	(388,532)	(366,689)	(388,879)
Others	99,936	74,953	99,936	74,953
	(2,589,635)	**(2,285,679)**	**(2,589,635)**	**(2,287,603)**
Input acquired from third-parties				
Materials, energy and others	(39,897)	(39,054)	(40,637)	(39,225)
Third-party services, net of commission	(38,134)	(41,214)	(42,139)	(41,214)
	(78,031)	**(80,268)**	**(82,776)**	**(80,439)**
Gross value added	**1,445,269**	**1,335,874**	**1,442,305**	**1,336,531**
Depreciation, amortization and depletion	**(30,157)**	**(27,088)**	**(32,336)**	**(27,114)**
Net value added produced by the entity	**1,415,112**	**1,308,786**	**1,409,969**	**1,309,417**
Value added received in transfer				
Finance revenue	816,738	798,114	818,423	799,423
Results of reinsurance operations granted	(752,135)	(792,310)	(752,135)	(792,310)
Others	38,874	(26,038)	47,041	(27,375)
	103,477	**(20,234)**	**113,329**	**(20,262)**
Total value added to distribute	**1,518,589**	**1,288,552**	**1,523,298**	**1,289,155**
Distribution of the value added				
Staff	146,345	157,645	146,345	158,130
Taxes and contributions	522,370	367,189	527,079	367,307
Interest on capital	242,606	176,000	242,606	176,000
Retained earnings for the year	607,268	587,718	607,268	587,718
	1,518,589	**1,288,552**	**1,523,298**	**1,289,155**

The accompanying notes are an integral part of these financial statements

Section A – General information

1.1 Operations

IRB Brasil Resseguros S.A. ("IRB Brasil RE", the "Reinsurer" or the "Company") is a closed capital private company established in 1939 by President Getúlio Vargas, with headquarters at Avenida Marechal Câmara 171 in the municipality of Rio de Janeiro, and offices in São Paulo, Buenos Aires, London and New York. Its activities are focused on reinsurance operations in Brazil and abroad.

At the end of 2016, based on information from IRB Brasil RE and the Private Insurance Agency ("SUSEP"), the Company maintained its position as leader of the Brazilian reinsurance market, with market share of about 39.0% (accumulated up to September 2016), focusing on its performance in the generation of value for the clients through efficient reinsurance solutions, aiming for reliable results and sustainable growth perspectives.

The consolidated financial statements of December 31, 2016 were approved by the Company's directors on February 17, 2017.

1.2 Basis of preparation

The financial statements were prepared in accordance with accounting practices adopted in Brazil, which include the corporate legislation, the standards of the National Council of Private Insurance (CNSP) and the Private Insurance Agency (SUSEP) and the pronouncements, guidance and interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC), when approved by SUSEP, in accordance with SUSEP Circular 517 of July 30, 2015 and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

The financial statements have been prepared under the historical cost convention, which, in the case of financial assets available-for-sale and other financial assets and liabilities, is adjusted to reflect their measurement at fair value.

The preparation of the parent company and consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgment or complexity, and where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 26.

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies. The accounting practices adopted in Brazil applicable to entities supervised by the Private Insurance Agency (SUSEP) do not require the presentation of this statement. Consequently, the presentation of such statements is considered supplementary information, and not part of the set of financial statements.

The Company has a branch in London, the activities of which were discontinued (run-off) on December 11, 2014. At its 209th General Meeting, the Board of Directors approved the valuation of the operations of this branch at market value for further consideration of proposals for its possible sale. This valuation did not generate losses in IRB's financial statements. As the London operations do not represent a separate major line of business or geographical area of operations of the Company, as required by CPC 31, the balances at that branch were not presented as discontinued operations.

The Company also has a branch in Argentina, which started its operations on September 1, 2011. The corresponding accounting balances of these branches are recorded and presented in the parent company and consolidated financial statements.

(a) Parent Company financial statements

The Parent Company financial statements were prepared in accordance with the accounting practices adopted in Brazil issued by the Accounting Pronouncements Committee (CPC) when endorsed by SUSEP, according to SUSEP Circular No. 517 of July 30, 2015. These individual financial statements are disclosed together with the consolidated financial statements.

(b) Consolidated financial statements

The consolidated financial statements were prepared and are being presented in accordance with the accounting practices adopted in Brazil, applicable to the entities supervised by SUSEP, including the pronouncements issued by the Accounting Pronouncements Committee (CPC).

1.3 Consolidation

The following accounting policies are applied in the preparation of the consolidated financial statements.

Subsidiaries are all entities for which the Company has the power to determine financial and operation policies, usually accompanied by a share of more than half of the voting capital. The existence and the effect of possible voting rights currently exercisable or convertible are considered when assessing if the Company controls other entities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases.

The Company has a subsidiary located in the USA, which is in the process of discontinuing its operations and a company that centralizes the real estate investments made by the reinsurer. The information on the subsidiary is as follows:

	International Corporation & Subsidiaries	IRB Investimentos e Participações
Capital share	100.0%	100.0%
Number os shares owned	5,000,000	168,465,949
Assets	51,568	214,835
Current and non-current liabilities	30,537	6,737
Equity at the end of the year	21,031	208,098
Profit (Loss) for the year	(311)	39,632

The Company also holds all the quotas of the following investment funds:

- BB Ações 22 Investment Fund
- BB Peabiru Fixed-income Investment Fund
- Bradesco Stock Investment Fund Safe IBRX-50
- Itaú FI IRB BRASIL RE Fixed-income
- Investment Fund Caixa IRB Brasil RE Fixed-income

- Bradesco FIRF IRB Caixa
- BB IRB BRASIL RE FI RF LP Private Credit
- FI Itaú Renda Fixa IRB BRASIL RE Private Credit
- FI Caixa IRB BRASIL RE RF Private Credit LP
- Bradesco FI IRB BRASIL RE Private Credit LP
- Real Estate Investment Fund (FII) Votorantim
- Investment Fund RF IRB BRASIL RE Absolute

The Company's consolidated financial statements were prepared in order to consolidate the International Corporation & Subsidiaries, the whole-owned funds mentioned above and the subsidiary IRB Investimentos e Participações ImobiliáriasS.A.

Section B – Risks

2 Risk management

The risk management in IRB Brasil RE is considered essential to optimise capital use and the maximization of business opportunities, in order to obtain the best risk/return for shareholders.

In order to reinforce risk management within the organizational context, in the first quarter of 2014 the Vice-Presidency of Risks and Compliance, to which Corporate Risk Management and Compliance Management are subordinated, was established, to take responsibility for the management of risks in IRB Brasil RE. Moreover, the Executive Board, the Administrative Board, the Risk Management Committee and of other advisory and deliberative bodies maintain their commitment risk management within the Company.

After a fourth review, in December 2015, the classification A- (excellent), with stable bias, was confirmed by the rating agency A.M. Best, headquartered in the USA, which reflects, according to their opinion, capitalization adequate to the Company's risk.

2.1 Main types of risk

Corporate risk comprises the following risk categories: operating, underwriting, market and liquidity, which in their turn are comprised of many subcategories.

The Company understands that these categories represent its main forms of exposure, but they are not exhaustive.

2.2 Operational risks

Operational risk management, which already involved the Buenos Aires office, incorporated the activities of the London office, since this unit, despite being engaged in the management of the run-off portfolio, is accountable to the local regulatory and financial agencies and preserves the presence of IRB Brasil RE abroad.

Concomitantly, the Operational Loss Database is at an advanced stage of development. The SAP tool, which will support the processes, was implemented and made available for user testing.

2.3 Underwriting risks

Underwriting risk arises from the variations that may arise both from internal and external factors, which contradict the Reinsurer's expectations in relation to actuarial and financial assumptions adopted in pricing the reinsurance agreements and in the constitution of technical reserves.

One of the techniques available to mitigate and control the underwriting risk is the transfer of risks through retrocession. Like reinsurance, retrocession may cover a group of businesses or just specific risks (also called facultative). Currently, IRB Brasil RE has retrocession programs that cover the line groups where there is more exposure, in order to stabilize the results and to limit claims, as well as to expand its capacity to accept strategic businesses. For specific cases, discretionary retrocessions may be used, which are analyzed individually. Due to the nature of the transfer of risk, the retrocession operations imply an underlying credit risk, which is dealt with as described in Note 2.5.

2.3.1 Monitoring of reinsurance liabilities by business line

The Company calculates its technical reserves according to the Standards of the CNSP. The gross liabilities, i.e. PSL, reserve for claims incurred but not reported (IBNR), reserve for claims incurred but not sufficiently reported (IBNER), reserve for technical surplus (PET), reserve for earned premiums (PPNG), and PDR and their respective retrocession assets by business line are as follows:

	Consolidated			
	Reinsurance		Retrocession	
Line Groups	2016	2015	2016	2015
Property	2,854,614	3,361,049	(1,580,183)	(1,887,700)
Special risks	272,867	645,634	(186,980)	(470,335)
Casualty	682,678	686,881	(307,028)	(304,393)
Hull	573,658	672,707	(492,687)	(559,666)
Vehicle	221,898	251,306	(9,184)	(6,295)
Cargo	366,205	413,570	(202,982)	(243,290)
Financial risks	609,563	710,635	(285,372)	(367,277)
Credit	25,816	37,515	(18,828)	(27,715)
Life	209,738	203,075	(48,973)	(38,980)
Mortgage	45,375	52,307	(385)	(270)
Agriculture	451,758	442,205	(23,709)	(44,316)
Marine	143,560	176,366	(31,409)	(39,859)
Aviation	402,417	338,119	(284,260)	(166,654)
Run-off London Branch	172,061	217,661	-	-
Others	947,803	926,619	(120,673)	(97,830)
Total	**7,980,011**	**9,135,649**	**(3,592,653)**	**(4,254,580)**

	Parent company			
	Reinsurance		Retrocession	
Line Groups	2016	2015	2016	2015
Property	2,854,614	3,361,049	(1,580,183)	(1,887,700)
Special risks	272,867	645,634	(186,980)	(470,335)
Casualty	682,678	686,881	(307,028)	(304,393)
Hull	573,658	672,707	(492,687)	(559,666)
Vehicle	221,898	251,306	(9,184)	(6,295)
Cargo	366,205	413,570	(202,982)	(243,290)
Financial risks	609,563	710,635	(285,372)	(367,277)
Credit	25,816	37,515	(18,828)	(27,715)
Life	209,738	203,075	(48,973)	(38,980)
Mortgage	45,375	52,307	(385)	(270)
Agriculture	451,758	442,205	(23,709)	(44,316)
Marine	143,560	176,366	(31,409)	(39,859)
Aviation	402,417	338,119	(284,260)	(166,654)
Run-off London Branch	172,061	217,661	-	-
Others	917,754	881,856	(90,971)	(56,005)
Total	**7,949,962**	**9,090,886**	**(3,562,951)**	**(4,212,755)**

The nature of the reinsurance operations implies that the reinsurer receives the greater parcel of the information from the assignors in an aggregated way, usually with access to individualized data only on facultative businesses. Due to the guidance of SUSEP letter Circular No. 517/2015, it is not appropriate to disclose risk concentration by geographical area.

2.3.2 Evolution of claims

The evolution of the Company's losses, by underwriting year, is shown in the tables below.

Gross retrocession losses

- **Retrocession gross**

	2016							
	Consolidated							
Underwriting year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Losses incurred in the year	340,142	200,595	342,520	1,107,829	293,187	656,095	331,252	
One year later	845,278	516,906	975,304	1,362,435	1,331,605	2,184,610		
Two years later	750,949	765,358	1,813,805	2,039,277	1,709,391			
Three years later	682,091	1,028,917	2,005,247	2,074,119				
Four years later	838,675	972,769	1,994,059					
Five years later	815,800	1,019,971						
Six years later	816,964							
Current estimate of accumulated losses	816,964	1,019,971	1,994,059	2,074,119	1,709,391	2,184,610	331,252	10,130,366
Accumulated payments up to the base date	734,908	785,621	1,718,250	1,722,485	1,278,923	910,218	114,033	7,264,437
Liabilities recognized in the balance sheet	**82,056**	**234,350**	**275,809**	**351,634**	**430,468**	**1,274,392**	**217,219**	**2,865,929**
Liabilities in relation to years previous to 2010								1,498,211
IBNER								**289,377**
Total liabilities included in the balance sheet								**4,653,516**

	2015							
	Parent company							
Underwriting year	2009	2010	2011	2012	2013	2014	2015	Total
Losses incurred in the year	738,882	340,142	200,595	342,520	1,107,829	293,187	656,095	
One year later	1,241,026	845,278	516,906	975,304	1,362,435	1,331,605		
Two years later	1,374,800	750,949	765,358	1,813,805	2,039,277			
Three years later	1,433,714	682,091	1,028,917	2,005,247				
Four years later	1,391,459	838,675	972,769					
Five years later	1,396,592	815,800						
Six years later	1,398,616							
Current estimate of accumulated losses	1,398,616	815,800	972,769	2,005,247	2,039,277	1,331,605	656,095	9,219,409
Accumulated payments up to the base date	(1,300,853)	(717,082)	(736,838)	(1,569,578)	(1,390,356)	(665,001)	(103,756)	(6,483,464)
Liabilities recognized in the balance sheet	**97,763**	**98,718**	**235,931**	**435,669**	**648,921**	**666,604**	**552,339**	**2,735,945**
Liabilities in relation to years previous to 2009								2,830,867
IBNER								355,501
Total liabilities included in the balance sheet								**5,922,313**

	2016							
	Consolidated							
Underwriting year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Losses incurred in the year	340,142	200,595	342,520	1,107,829	293,187	656,095	331,252	
One year later	845,278	516,906	975,304	1,362,435	1,331,605	2,184,610		
Two years later	750,949	765,358	1,813,805	2,039,277	1,709,391			
Three years later	682,091	1,028,917	2,005,247	2,074,119				
Four years later	838,675	972,769	1,994,059					
Five years later	815,800	1,019,971						
Six years later	816,964							
Current estimate of accumulated losses	816,964	1,019,971	1,994,059	2,074,119	1,709,391	2,184,610	331,252	10,130,366
Accumulated payments up to the base date	734,908	785,621	1,718,250	1,722,485	1,278,923	910,218	114,033	7,264,437
Liabilities recognized in the balance sheet	**82,056**	**234,350**	**275,809**	**351,634**	**430,468**	**1,274,392**	**217,219**	**2,865,929**
Liabilities in relation to years previous to 2010								1,498,211
IBNER								**289,377**
Total liabilities included in the balance sheet								**4,653,516**

	2015							
	Consolidated							
Underwriting year	2009	2010	2011	2012	2013	2014	2015	Total
Losses incurred in the year	738,882	340,142	200,595	342,520	1,107,829	293,187	656,095	
One year later	1,241,026	845,278	516,906	975,304	1,362,435	1,331,605		
Two years later	1,374,800	750,949	765,358	1,813,805	2,039,277			
Three years later	1,433,714	682,091	1,028,917	2,005,247				
Four years later	1,391,459	838,675	972,769					
Five years later	1,396,592	815,800						
Six years later	1,398,616							
Current estimate of accumulated losses	1,398,616	815,800	972,769	2,005,247	2,039,277	1,331,605	656,095	9,219,409
Accumulated payments up to the base date	(1,300,853)	(717,082)	(736,838)	(1,569,578)	(1,390,356)	(665,001)	(103,756)	(6,483,464)
Liabilities recognized in the balance sheet	**97,763**	**98,718**	**235,931**	**435,669**	**648,921**	**666,604**	**552,339**	**2,735,945**
Liabilities in relation to years previous to 2009								2,831,888
IBNER								355,501
Total liabilities included in the balance sheet								**5,923,334**

- **Net of retrocession**

	2016							
	Parent company and Consolidated							
Underwriting year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Losses incurred in the year	257,280	146,828	212,493	713,804	194,043	325,364	202,896	
One year later	648,986	283,846	588,287	802,663	981,979	1,506,852		
Two years later	550,314	346,747	916,994	1,133,787	1,252,197			
Three years later	471,303	589,538	1,016,375	1,233,167				
Four years later	579,850	574,959	1,011,914					
Five years later	559,104	587,398						
Six years later	559,513							
Current estimate of accumulated losses	559,513	587,398	1,011,914	1,233,167	1,252,197	1,506,852	202,896	6,353,937
Accumulated payments up to the base date	517,635	473,624	856,164	1,072,070	979,743	734,122	100,599	4,733,957
Liabilities recognized in the balance sheet	**41,878**	**113,774**	**155,750**	**161,097**	**272,454**	**772,730**	**102,297**	**1,619,980**
Liabilities in relation to years previous to 2010								665,601
IBNER								**219,577**
Total liabilities included in the balance sheet								**2,505,158**

	2015							
	Parent company							
Underwriting year	2009	2010	2011	2012	2013	2014	2015	Total
Losses incurred in the year	458,107	257,280	146,828	212,493	713,804	194,043	325,364	
One year later	835,580	648,986	283,846	588,287	802,663	981,979		
Two years later	1,051,953	550,314	346,747	916,994	1,133,787			
Three years later	1,052,361	471,303	589,538	1,016,375				
Four years later	1,011,430	579,850	574,959					
Five years later	1,056,507	559,104						
Six years later	1,057,876							
Current estimate of accumulated losses	1,057,876	559,104	574,959	1,016,375	1,133,787	981,979	325,364	5,649,444
Accumulated payments up to the base date	(972,799)	(511,132)	(443,267)	(795,880)	(886,031)	(528,145)	(76,636)	(4,213,890)
Liabilities recognized in the balance sheet	**85,077**	**47,972**	**131,692**	**220,495**	**247,756**	**453,834**	**248,728**	**1,435,554**
Liabilities in relation to years previous to 2009								1,311,122
IBNER								230,399
Total liabilities included in the balance sheet								**2,977,075**

	2015							
	Consolidated							
Underwriting year	2009	2010	2011	2012	2013	2014	2015	Total
Losses incurred in the year	458,107	257,280	146,828	212,493	713,804	194,043	325,364	
One year later	835,580	648,986	283,846	588,287	802,663	981,979		
Two years later	1,051,953	550,314	346,747	916,994	1,133,787			
Three years later	1,052,361	471,303	589,538	1,016,375				
Four years later	1,011,430	579,850	574,959					
Five years later	1,056,507	559,104						
Six years later	1,057,876							
Current estimate of accumulated losses	1,057,876	559,104	574,959	1,016,375	1,133,787	981,979	325,364	5,649,444
Accumulated payments up to the base date	(972,799)	(511,132)	(443,267)	(795,880)	(886,031)	(528,145)	(76,636)	(4,213,890)
Liabilities recognized in the balance sheet	**85,077**	**47,972**	**131,692**	**220,495**	**247,756**	**453,834**	**248,728**	**1,435,554**
Liabilities in relation to years previous to 2009								1,270,318
IBNER								230,399
Total liabilities included in the balance sheet								**2,936,271**

2.3.3 Sensitivity analysis

Possible impacts on the results and equity on December 31, 2016, considering a 10% increase in the loss ratio, are as follows:

Gross effects	Impact
Results and equity	(258,963)
Net results (%)	(30.5)
Equity (%)	(7.8)

Net effects	Impact
Results and equity	(205,181)
Net results (%)	(24.1)
Equity (%)	(6.2)

Due to the nature of the operations accepted by IRB Brasil RE, there is no exposure to benefit take-up rates, mortality or survival rates. Other internal studies show that part of the non-operational liabilities, linked to the post-employment benefits, are indexed to inflation, and are covered by investments in the same indexing securities (NTN-B), thus there is no significant exposure to this index.

2.4 Market risk

Market risk can be defined as the risk arising from changes in the financial market prices and rates, which may reflect a decrease in the value of a security or asset portfolio. The main variables linked to market risk of IRB's investment portfolio are interest rates, foreign exchange rates and the assets' liquidity. The risk management arising from these variables involves different organization units and contemplates a series of guidelines and strategies considered appropriate by the Company's management, and included in its governance policy. Value at Risk (VaR) and construction of stress, aiming at the preventive loss management.

2.4.1 *Value at Risk analysis*

The measurement of market risk, carried out though VaR, estimates the expected maximum loss in a certain period of time and within a specified confidence interval. This measurement considers the effects of risk diversification in the total portfolio.

On a historical basis, with a 95% significance level, 252-day mobile observation window and daily returns, the daily VaR of the Reinsurer's asset portfolio, recorded on December 31, 2016, was about R$ 2,600, which represents a maximum estimated loss of 0.05% of the total assets portfolio.

2.4.2 Sensitivity analysis of foreign currencies

The Reinsurer is mainly exposed to the U.S. dollar, but there is also lower exposure to other foreign currencies, such as the pound sterling, euro and Argentine peso.

To analyze the sensitivity to changes in foreign exchange rates (R$/US$), the following scenarios were considered: a probable scenario for the end of 2017, a 25% deterioration (Scenario I) and a 50% deterioration (Scenario II) in relation to the probable scenario rate forecast by the Company. To define the probable scenario of the market expectation system of the Central Bank of Brazil was adopted as the reference for December 31, 2016, when the estimated foreign exchange rate (R$/US$) for the end

of 2017 was R$ 3.47. The asset portfolio's sensitivity to the exchange rate fluctuation is as follows:

	2016	Scenarios for 2017		
		Impact (R$ thousand)		
Group	Basis	Probable	Scenario I	Scenario II
Total foreign currency assets	4,027,083	260,597	(3,718,172)	(3,409,262)
Total liabilities	(3,922,386)	(253,822)	3,621,506	3,320,627
Net exposure	104,697	6,775	(96,666)	(88,635)
Impact (%) on the equity		0.2	(2.9)	(2.7)
Impact (%) on the net income		0.8	(11.4)	(10.4)

2.4.3 Interest rate sensitivity analysis

The Company is exposed to interest rate risk, considering that it has marketable securities linked to this market risk factor.

To analyze the sensitivity to changes in the SELIC fixed interest rate the following scenarios were considered: a probable scenario for the end of 2017, a 25% deterioration (Scenario I) and a 50% deterioration (Scenario II) in relation to the curve of the probable scenario forecast by the Company. To define the probable scenario the market expectation system of the Central Bank of Brazil was adopted as reference for December 31, 2016, when the estimated rate for the end of 2017 was 10.3%. The asset portfolio's sensitivity to the interest rate fluctuation is as follows:

	2016	Scenarios for 2017		
		Impact (R$ thousand)		
Group	Basis	Probable	Scenario I	Scenario II
Total portfolio (*)	5,771,097	5,834,439	5,713,160	5,661,888
Impact (%) on the total portfolio		1.1	(1.0)	(1.9)
Impact (R$)		63,342	(57,937)	(109,210)
Impact (%) on the equity		1.9	(1.7)	(3.3)
Impact (%) on the net income		7.5	(6.8)	(12.9)

(*) Total portfolio balance does not include current account balance.

Consolidated analysis of economic stress tests

The management applied a selection of the main economic stress tests in the world* to the assets, *using* the predictive method, i.e., taking into account the existing correlations between the many risk factors. After the analysis, the conclusion was that the most adverse scenario for the investment portfolio is the Fall 2008, related to the bankruptcy of Lehman Brothers followed by two consecutive cuts in interest rates by the Fed, and the federal takeover of Fannie Mae and Freddie Mac aiming at stabilizing the American mortgage market, giving rise to a loss of 2.4% in the portfolio.

* The economic stress test analysis scenarios for the world are: Asian Crisis (1997), Black Monday (1987), Fall 2008 (2008), Gulf War (1990), Mexican Crisis (1995), Rate Rise 94 (1994), Russian Devaluation (1998), Sept 11th (2011),Tech Wreck (2000), WaMu collapse (2008).

Currency future contracts

As part of the Company's investment policy, it is expected that foreign currency exchange protection will be contracted for surplus assets in foreign currency. At the base date of December 31, 2016, the Company did not have forward contracts for currency or any other exchange protection instrument.

2.5 Credit risk

IRB Brasil RE understands that the main source of credit risk is retrocession operations. In order to mitigate this risk, the Company adopted a policy of having retrocession operations with companies that have, at least, half of the ratings registered equal to or higher than A- (S&P, Fitch and AM Best) or A3 (Moody's) and evaluates its retrocessionaires through its own system of classification. The Reinsurer's exposure is mitigated by the adoption of retrocession limits for the counterparties, which are reviewed and approved at least annually by the Security Committee. The quality of the retrocession partners of the protection agreements of IRB Brasil RE is as follows:

	2016			
	% of reinsurers partipating in protection and contracts in force			
Rating range (*)	Local	Admitted	Eventual	Total
AAA or equivalent	-	1.1	0.4	1.5
AA or equivalent	-	37.5	7.1	44.5
A or equivalent	-	17.9	35.4	53.2
BBB or equivalent	-	-	0.1	0.1
Without rating	0.2	0.1	0.4	0.7
	0.2	56.5	43.3	100.0

* The credit ratings are measured by the agencies: S&P - Standard & Poor's, Moody's, A.M. Best and Fitch

The credit risk on funds and financial instruments is limited because the counterparties are represented by banks with high credit ratings as evaluated by international agencies.

The following techniques are used to control and mitigate the credit risk: establishment of retrocession limits by entity; monitoring of credit risk exposure; follow-up of the changes and trends in the insurance and reinsurance market and the financial market; and preventive loss management.

Exposure to credit risk

The Company is exposed to risk concentration on reinsurance due to the nature of the reinsurance market. The classification of the risk by aging is as follows:

	Consolidated							
	December 31, 2016							
		Overdue and unimpaired assets						
Breakdown of portfolio by class and accounting category	Assets not due and Unimpaired	0 to 30 days	31 to 60 days	61 to 120 days	121 to 180 days	More than 180 days	Carrying amount	Carrying amount December 31, 2015
Cash and cash equivalents	217,575						217,575	18,277
At fair value through profit or loss								
Private	41,290						41,290	43,841
Public	136,984						136,984	277,549
Abroad	495,190						495,190	669,533
Available for sale								
Private	195,217						195,217	69,411
Public	4,183,540						4,183,540	4,435,669
Abroad	280,869						280,869	424,374
Held to maturity								
Private	258,287						258,287	224,661
Abroad	5,264						5,264	25,601
Credits on insurer and reinsurer operations	1,818,942	169,123	86,010	142,106	20,698	231,898	2,468,777	2,368,748
Total financial assets and assets of insurance and reinsurance agreements	**7,633,158**	**169,123**	**86,010**	**142,106**	**20,698**	**231,898**	**8,282,993**	**8,557,664**

	Parent company							
	December 31, 2016							
		Overdue and unimpaired assets						
Breakdown of portfolio by class and accounting category	Assets not due and Unimpaired	0 to 30 days	31 to 60 days	61 to 120 days	121 to 180 days	More than 180 days	Carrying amount	Carrying amount December 31, 2015
Cash and cash equivalents	213,543						213,543	13,952
At fair value through profit or loss								
Private	21,649						21,649	43,592
Public	136,664						136,664	277,396
Abroad	495,190						495,190	669,533
Available for sale								
Private	405,629						405,629	168,466
Public	4,183,517						4,183,517	4,435,653
Abroad	264,898						264,898	402,374
Held to maturity								
Private	258,287						258,287	224,661
Abroad	5,264						5,264	25,601
Credits on insurer and reinsurer operations	1,818,293	169,123	86,010	142,106	20,698	231,898	2,468,128	2,368,731
Total financial assets and assets of insurance and reinsurance agreements	**7,802,934**	**169,123**	**86,010**	**142,106**	**20,698**	**231,898**	**8,452,769**	**8,629,959**

2.6 Liquidity risk

Liquidity risk is the risk that the Company, although solvent, will not have resources available to comply with its obligations in good time, or will only be able to comply with them through the sale of assets in unfavorable conditions, implying in financial losses. To manage this risk, the Company allocates a minimum reserve in high-liquidity funds (committed operations backed by federal bonds) to cover the short-term need for cash. This risk is continuously monitored by the follow-up of the actual and expected cash flows and by the management of the maturity profiles of the financial assets and liabilities over time.

	Consolidated					
	Maturity of the liabilities at December 31, 2016					
	Zero to one year	One to three years	Three to five years	Five to ten years	More than ten years	Carrying amount
Reinsurance liabilities (technical reserves)	**2,419,538**	**2,509,715**	**897,388**	**877,769**	**1,275,601**	**7,980,011**
PSL Total	468,325	1,477,777	655,815	617,632	1,144,590	4,364,139
PPNG RVE	742,615	313,499	24,485	21,030	-	1,101,629
PPNG-EPI	343,230	15,184	-	-	-	358,414
IBNR + IBNER	671,116	626,541	210,980	234,495	123,310	1,866,442
PPNG RVNE	185,176	3,744	-	-	-	188,920
PET	3,877	61,483	1,232	-	-	66,592
PDR	5,199	11,487	4,876	4,612	7,701	33,875

	Parent company					
	Maturity of the liabilities at December 31, 2016					
	Zero to one year	One to three years	Three to five years	Five to ten years	More than ten years	Carrying amount
Reinsurance liabilities (technical reserves)	**2,419,187**	**2,509,715**	**897,388**	**848,071**	**1,275,601**	**7,949,962**
PSL Total	467,975	1,477,777	655,815	617,631	1,144,590	4,363,788
PPNG RVE	742,615	313,499	24,485	21,030	-	1,101,629
PPNG-EPI	343,230	15,184	-	-	-	358,414
IBNR + IBNER	671,115	626,541	210,980	204,798	123,310	1,836,744
PPNG RVNE	185,176	3,744	-	-	-	188,920
PET	3,877	61,483	1,232	-	-	66,592
PDR	5,199	11,487	4,876	4,612	7,701	33,875

2.7 Evaluation techniques and assumptions applied for the purpose of fair value determination

The determination of the fair value of financial assets and liabilities is as follows:

(a) The fair value of financial assets and liabilities that present standard conditions and terms and are negotiated in active markets is determined based on the prices observed in these markets.

(b) The fair value of the derivative instruments is calculated using quoted prices. Exchange futures contracts are measured based on the exchange rates and on the earning curves obtained based on quotations and for the same maturity terms as the contracts.

(c) The fair value of other financial assets and liabilities is determined according to pricing models usually accepted based on the analysis of discounted cash flows.

2.8 Fair value measurements recognized in the balance sheet

The table below offers an analysis of the financial instruments that are measured at fair value after initial recognition, grouped in Levels 1 and 2 based on the fair value observable:

(a) Level 1 fair value measurements are obtained from prices (non-adjusted) quoted in active markets for identical assets and liabilities.

(b) Level 2 fair value measurements are obtained through variables other than the quoted prices included in Level 1, which are observable for the asset or liability directly (i.e. as prices) or indirectly (i.e. based on prices).

(c) Level 3 fair value measurements are obtained through evaluation techniques that include variables for the asset or liability, but are not based on observable market data (non-observable data).

		Parent company		Consolidated	
		2016	2015	2016	2015
Financial assets at fair value through profit or loss					
Financial Treasury Bills	Level 1	6,163	607	6,163	607
Committed Operations	Level 1	130,501	276,789	130,821	276,942
Investment Fund Quotas	Level 1	104,438	74,832	124,192	75,077
Variable Income Fund Quotas	Level 1	20,749	43,428	20,763	43,432
Shares Abroad	Level 2	230,048	275,626	230,048	275,626
Debentures	Level 1	773	409	773	409
Time Deposits Abroad	Level 2	155,119	312,029	155,119	312,029
Sovereign debt securities	Level 1	5,585	6,801	5,585	6,801
Others	Level 2	127	-	-	-
		653,503	**990,521**	**673,464**	**990,923**
Financial assets available-for-sale					
Financial Treasury Bills	Level 1	3,471,051	2,572,790	3,471,051	2,572,790
National Treasury Bills	Level 1	166,091	1,127,107	166,091	1,127,107
National Treasury Notes	Level 1	509,728	590,585	509,728	590,585
Real estate funds	Nivel 1	38,091	39,570	38,091	39,570
Bank deposit certificates	Level 2	-	10,815	-	10,815
Debentures	Level 1	11,986	18,482	11,986	18,482
Financial Treasury	Level 1	142,847	123,163	142,847	123,163
Committed Operations	Level 1	36,647	22,008	36,670	22,024
Real Estate Investments Fund FII	Level 2	210,496	99,131	-	-
Fixed Income Fund Quotas	Level 1	2,293	468	2,293	544
Others	Level 2	(84)	-	-	-
Sovereign debt securities	Nivel 1	226,297	360,925	226,297	360,925
American Depositary Receipts - ADR	Nivel 1	4,283	2,183	4,283	2,183
Títulos de Renda Fixa no exterior	Nivel 1	34,318	39,266	34,318	39,266
U.S. Treasury securities Obligations of U.S.	Level 1	-	-	7,108	6,811
Obligations of U.S. Government corporations and agencies	Level 1	-	-	1,091	3,115
Non-U.S. Government	Level 1	-	-	1,293	278
Sec Issued by States & Terr.	Level 1	-	-	224	-
Corporate *securities*	Level 1	-	-	5,961	9,467
Short-term investiments	Level 1	-	-	294	2,329
		4,854,044	**5,006,493**	**4,659,626**	**4,929,454**

2.8.1 Disclosure of the fair value of financial assets held to maturity

	Parent company and Consolidated			
	2016		2015	
	Carrying amount	Market value	Carrying amount	Market value
Financial assets held to maturity				
Financial Treasury - Private	258,287	258,287	224,661	224,661
Eurobonds/Term Notes	5,264	5,264	25,601	25,492
	263,551	**263,551**	**250,262**	**250,153**

2.9 Minimum and risk capital

The CNSP, on July 15, 2015, published a new regulation about the calculation of minimum capital required for the authorization and operation of local reinsurers and the calculation of risk capital, based on underwriting, credit, operational and market risks, adjusted equity and regulation and solvency plan, combined with the CNSP Resolution 321/2015, which consolidated all resolutions relating to liquidity and solvency without methodological change.

The effects of these resolutions are as follows:

I Minimum capital required: a capital amount that a local reinsurer shall maintain at all times, in order to be able to operate, being equivalent to the highest amount between the base capital and the risk capital.

II Base capital: a fixed capital amount of R$ 60,000, which a local reinsurer shall maintain, at all times.

III Risk capital: a variable capital amount that a local reinsurer shall maintain at all times in order to be able to ensure the risks inherent to its operations, as provided in specific regulations.

IV Net assets: all the assets accepted by the National Monetary Council up to 100% in the coverage of technical reserves.

V Liquidity in relation to risk capital: situation featured by the presentation of a total of net assets, higher than the need of coverage of the reserves, 20% (twenty per cent) higher than the risk capital.

2.9.1 Regulatory capital

The calculation carried out by IRB Brasil RE, as provided by the resolutions mentioned, has not identified the need for additional capital investment. On the base date of December 31, 2016, it was observed that the adjusted equity value was higher than the minimum capital amount required.

	Parent company and Consolidated	
	2016	2015
Risk capital based on underwriting risk	491,219	619,354
Risk capital based on credit risk	429,736	460,566
Risk capital based on operating risk	32,595	37,282
Risk capital based on market risk	33,909	-
Benefit of the diversification of risks	(146,268)	(141,318)
Total risk capital	**841,191**	**975,884**
Base capital	60,000	60,000
Minimum capital required (**)	841,191	975,884
Adjusted equity (*)	2,706,769	3,010,331
Sufficiency of adjusted equity	**1,865,578**	**2,034,447**

	2016	2015
Equity	3,328,217	3,174,595
Deductions		
Prepaid expenses	(3,320)	(1,247)
Corporate shares	(224,393)	-
Intangible assets	(62,276)	(63,357)
Rights/obligations of branches abroad	(105,672)	(99,610)
Tax credits (**)	(225,737)	-
Other deductions	(50)	(50)
Ajusted equity	**2,706,769**	**3,010,331**

(*) Calculation of the adjusted equity

(**) The amount referring to the tax credit deducted in the calculation of adjusted equity corresponds to the amount of the tax credit (Note 10.1) that exceeds 15% of the minimum required capital).

2.9.2 Liquidity in relation to risk capital

The calculation of liquidity in relation to the minimum capital required for the base date of December 31, 2016 has not identified the need for IRB Brasil RE to have a higher level of net assets than that necessary to cover the reserves.

	Parent company	
	2016	2015
Eligible assets (*)	**4,959,780**	**5,380,285**
Technical reserves	(4,387,011)	(4,878,131)
Reduced assets	(512,532)	(629,545)
Credit rights	807,688	512,833
Coverage of 20% of risk capital	(168,238)	(195,177)
Sufficiency of liquidity	**699,687**	**190,265**

(*) Financial investments linked to technical reserves

	Consolidated	
	2016	2015
Eligible assets (*)	**4,959,780**	**5,380,285**
Technical reserves	(4,387,358)	(4,881,069)
Reduced assets	(512,532)	(629,545)
Credit rights	807,688	512,833
Coverage of 20% of risk capital	(168,238)	(195,177)
Sufficiency of liquidity	**699,340**	**187,327**

(*) Financial investments linked to technical reserves

Section C – Information by business segment

3 Information by business segment

3.1 Statements of income by segment

The business segments of IRB Brasil RE are identified according to its executive structure, which takes into account the internal financial reports for business performance in the country and abroad, where they are used by the Management in conducting the business. The net income is the main item used by the Management for the management of the results.

On December 31, 2016 and 2015, the results of IRB Brasil RE by geographic area were as follows:

	Parent company		Consolidated	
	2016	2015	2016	2015
Issued premiums	**4,188,263**	**3,723,449**	**4,188,263**	**3,723,449**
Issued premiums - Brazil	3,182,357	2,863,969	3,182,357	2,863,969
Issued premiums - Abroad	1,005,906	859,480	1,005,906	859,480
Earned premium	**4,162,175**	**3,746,111**	**4,162,175**	**3,746,111**
Earned premiums - Brazil	3,205,336	3,022,224	3,205,336	3,022,224
Earned premiums - Abroad	956,839	723,887	956,839	723,887
Incurred claims	**(2,589,635)**	**(2,285,679)**	**(2,589,635)**	**(2,287,603)**
Incurred claims - Brazil	(1,971,726)	(1,878,054)	(1,971,726)	(1,878,054)
Incurred claims - Abroad	(617,909)	(407,625)	(617,909)	(409,549)
Acquisition cost	**(103,521)**	**(95,430)**	**(103,521)**	**(95,430)**
Acquisition cost - Brazil	(54,339)	(53,724)	(54,339)	(53,724)
Acquisition cost - Abroad	(49,182)	(41,706)	(49,182)	(41,706)
Result with retrocession	**(752,135)**	**(792,310)**	**(752,135)**	**(792,310)**
Result with retrocession - Brazil	(694,058)	(777,325)	(694,058)	(777,325)
Result with retrocession - Abroad	(58,077)	(14,985)	(58,077)	(14,985)
Gross margin	**716,884**	**572,692**	**716,884**	**570,768**
Gross margin - Brazil	485,213	313,120	485,213	359,540
Gross margin - Abroad	231,671	259,571	231,671	211,228
Other operation income and expenses	20,829	9,217	22,610	11,969
Administrative expenses	(236,536)	(238,786)	(260,807)	(266,605)
Tax expenses	(134,153)	(111,018)	(135,540)	(111,018)
Operating result	**367,024**	**232,105**	**343,147**	**205,114**
Equity result	71,229	12,651	79,843	15,450
Financial result	816,738	798,114	818,423	799,423
Gains or losses on non-current assets	-	21	-	21
Profit before income tax and social contribution	**1,254,991**	**1,042,891**	**1,241,413**	**1,020,008**
Income tax and social contribution	(388,217)	(256,173)	(391,539)	(256,290)
Profit sharing	(16,900)	(23,000)	-	-
Net income for the year	**849,874**	**763,718**	**849,874**	**763,718**

The Company's management uses for decision-making purposes an account grouping approach that is different from that presented in the statement of income, which was prepared in accordance with accounting practices adopted in Brazil for reinsurers, as follows:

	Parent company		Consolidated	
	2016	2015	2016	2015
Reinsurance premiums - Brazil (a)	3,732,247	3,291,987	3,732,247	3,291,987
Reinsurance premiums - Abroad (a)	1,196,139	1,045,424	1,196,139	1,045,424
Retrocession premiums ceded (b)	(1,386,585)	(1,346,142)	(1,386,585)	(1,346,142)
Retained premium	**3,541,801**	**2,991,269**	**3,541,801**	**2,991,269**
Changes in technical reserves ©	(40,812)	(68,685)	(40,812)	(68,685)
Premiums earned	**3,500,989**	**2,922,584**	**3,500,989**	**2,922,584**
Incurred claims (d)	(2,166,921)	(1,863,956)	(2,166,921)	(1,865,880)
Acquisition costs (e)	(703,229)	(560,399)	(703,229)	(560,399)
Gross result	**630,839**	**498,229**	**630,839**	**496,305**
Other operating results (f)	(2,247)	13,062	(466)	15,814
Administrative expenses (g)	(226,262)	(228,624)	(230,204)	(233,443)
Taxes expenses (j)	(127,323)	(89,084)	(128,710)	(89,084)
Financial and equity results (h)	1,034,312	879,874	1,041,182	883,982
Profit before taxes	**1,309,319**	**1,073,457**	**1,312,641**	**1,073,574**
Income tax, social contribution and profit sharing (i)	(459,445)	(309,739)	(462,767)	(309,856)
Net iincome for the year	**849,874**	**763,718**	**849,874**	**763,718**

	Parent company		Consolidated	
	2016	2015	2016	2015
Net issued premiums	**4,188,263**	**3,723,449**	**4,188,263**	**3,723,449**
Gross issued premiums (a)	4,929,032	4,336,351	4,929,032	4,336,351
Reinsurance commission (e)	(740,769)	(612,902)	(740,769)	(612,902)
Changes in technical reserves	**(26,088)**	**22,662**	**(26,088)**	**22,662**
Changes in technical reserves - Premiums (c)	(28,501)	(30,269)	(28,501)	(30,269)
Changes in technical reserves - Commission (e)	44,991	39,329	44,991	39,329
Changes in technical reserves - Others reserves (c)	(42,578)	13,602	(42,578)	13,602
Premiums earned	**4,162,175**	**3,746,111**	**4,162,175**	**3,746,111**
Incurred claims (d)	**(2,589,635)**	**(2,285,679)**	**(2,589,635)**	**(2,287,603)**
Acquisition cost (e)	**(103,521)**	**(95,430)**	**(103,521)**	**(95,430)**
Retrocession results	**(752,135)**	**(792,310)**	**(752,135)**	**(792,310)**
Recovery of claims incurred (d)	304,391	337,261	304,391	337,261
Salvage and reimbursements to retrocession policyholders (c	(43,255)	(54,388)	(43,255)	(54,388)
Recovery of IBNR (d)	233,435	210,182	233,435	210,182
Retrocession Premiums (b)	(1,386,168)	(1,345,866)	(1,386,168)	(1,345,866)
Commission on Retrocession Premiums (e)	96,605	90,537	96,605	90,537
Changes in technical reserves - Premiums Ceded (c)	30,267	(52,018)	30,267	(52,018)
Changes in technical provisions - Commission Ceded (e)	(1,106)	18,137	(1,106)	18,137
Other retrocession results (f)	13,696	-	13,696	-
Outras receitas e despesas operacionais (f)	-	3,845	-	3,845
Gross margin	**716,884**	**572,692**	**716,884**	**570,768**
Other operating income and expenses (f)	**20,829**	**9,217**	**22,610**	**11,969**
Other operating income and expenses (f)	(15,943)	9,217	(14,162)	11,969
Provision for credit coverage (h)	36,772	-	36,772	-
Administrative expenses	**(236,536)**	**(238,786)**	**(260,807)**	**(266,605)**
Profit sharing (i)	-	-	(16,900)	(23,000)
Tax expenses (j)	(3,803)	-	(3,803)	-
Other tax expenses (j)	(6,341)	(8,632)	(6,341)	(8,632)
Administrative expenses (g)	(226,262)	(229,028)	(231,247)	(233,847)
Other finance costs (g)	(130)	(1,126)	(2,516)	(1,126)
Tax expenses (j)	**(134,153)**	**(111,018)**	**(135,540)**	**(111,018)**
Taxes - foreign branch (i)	(11,669)	(21,934)	(11,669)	(21,934)
Tax expenses (j)	(122,484)	(89,084)	(123,871)	(89,084)
Operating results	**367,024**	**232,105**	**343,147**	**205,114**
Equity results (h)	**71,229**	**12,651**	**79,843**	**15,450**
Other equity result (h)	71,229	12,247	79,843	15,046
Other administrative result (g)	-	404	-	404
Financial result	**816,738**	**798,114**	**818,423**	**799,423**
Interest on acquisition cost (e)	571	(70)	571	(70)
Interest on premiums ceded (b)	(417)	(276)	(417)	(276)
Interest on premiums abroad (a)	192	104	192	104
Interest on local premiums (a)	(838)	956	(838)	956
Interest on claims (d)	(71,857)	(71,332)	(71,857)	(71,332)
Tax expenses (j)	(1,036)	-	(1,036)	-
Financial results (h)	926,441	868,732	928,126	870,041
Other tax expenses (j)	(36,318)	-	(36,318)	-
Gains on non-current assets (h)	**-**	**21**	**-**	**21**
Profit before Income tax and social contribution	**1,254,991**	**1,042,891**	**1,241,413**	**1,020,008**
Income tax and social contribution (i)	(388,217)	(256,173)	(391,539)	(256,290)
Profit sharing (i)	(16,900)	(23,000)	-	-
Net income for the year	**849,874**	**763,718**	**849,874**	**763,718**

The reconciliation between the balances presented in the statement of income and the balances used in the decision-making process presented above by the Company's management are as follows:

Section D – Group structure

4 Investiments

4.1 Changes in investiments

	Parent company	
	2016	2015
Initial position	-	18,418
Subsidiary integralization (i)	168,466	-
Profit from subsidiaries	39,321	(2,798)
Prior period adjustment	2,301	(733)
Exchange variation	(4,157)	8,311
Reversal (provision) for impairment (ii)	18,462	(23,198)
Final position	**224,393**	**-**

(i) On February 29, 2016, IRB Brasil RE established IRB Investimentos e Participações Imobiliárias S.A., a wholly-owned subsidiary, whose business purpose is to structure the management system for equity interests in shopping malls, establish wholly-owned subsidiaries and invest in the capital of companies engaged in the performance of real estate activities.

The Company has a portfolio of real estate assets comprising equity interests in five shopping malls, located in four different regions of Brazil, all of which are well-established developments that have been operating for more than twenty years. The Company's equity interest totals R$ 368,214.

In addition to the aforementioned assets, the Company holds indirect equity interests in four wholly-owned subsidiaries, for which it has been studying new potential developments and establishing new partnerships, seeking greater efficiency in the operation of the assets owned by the Company and its subsidiaries.

(ii) IRB Brasil RE received a purchase offer for its subsidiary located in the United States. The investment is in the run-off process, and impairment was recognized for 100% of its amount. However, at the moment, due to the purchase offer received, the Company partially reversed the previously recognized impairment.

4.2 Equity interest

				Consolidated	
				Percentage	
Name	Country	Business	Relationships	Direct participation in common shares	Indirect participation in common shares
IRB International	USA	Holding	Subsidiary	100.0%	
IRB Investimentos e Participações Imobiliárias	Brazil	Real estate	Subsidiary	100.0%	
IRB Santos Dumont (*)	Brazil	Real estate	Affiliated		100.0%
IRB Chile (*)	Brazil	Real estate	Affiliated		100.0%
IRB Uso (*)	Brazil	Real estate	Affiliated		100.0%
IRB Renda (*)	Brazil	Real estate	Affiliated		100.0%
BB Stock 22 Investment Fund	Brazil	Investment Fund	Subsidiary	100.0%	
BB Peabiru Fixed-income Investment Fund	Brazil	Investment Fund	Subsidiary	100.0%	
Bradesco Stock Investment Fund Safe IBRX-50	Brazil	Investment Fund	Subsidiary	100.0%	
Itaú FI IRB BRASIL RE Fixed-income	Brazil	Investment Fund	Subsidiary	100.0%	
Investment Fund Caixa IRB Brasil RE Fixed-income	Brazil	Investment Fund	Subsidiary	100.0%	
Bradesco FI IRB Brasil RE Fixed-income	Brazil	Investment Fund	Subsidiary	100.0%	
Itaú FI IRB Brasil RE Private Credit LP	Brazil	Investment Fund	Subsidiary	100.0%	
Caixa FI IRB Brasil RE Private Credit LP	Brazil	Investment Fund	Subsidiary	100.0%	
B.Brasil FI IRB Brasil RE Private Credit LP	Brazil	Investment Fund	Subsidiary	100.0%	
Bradesco FI IRB Brasil RE Private Credit LP	Brazil	Investment Fund	Subsidiary	100.0%	
Investment Fund RF IRB BRASIL RE Absolute	Brazil	Investment Fund	Subsidiary	100.0%	
At December 31, 2016					

(*) Direct subsidiaries of IRB Investimentos e Participações Imobiliárias

Section E – Sigificant notes to the financial statements

5 Cash and cash equivalents

The balance of this account is as follows:

	Parent company		Consolidated	
	2016	2015	2016	2015
Cash	3	5	3	5
Local bank current account	110,937	2,849	114,969	2,881
Bank current account abroad	102,603	11,098	102,603	15,391
	213,543	**13,952**	**217,575**	**18,277**

6 Financial investments

6.1 Breakdown of the investments

	2016							
	Fair value through profit or loss		Available for sale		Held to maturity			
	Marketable security evaluated by the curve	Carrying amount	Marketable security evaluated by the curve	Carrying amount	Marketable security evaluated by the curve	Carrying amount	Average interest rate - %	Total
Government Fixed-income Securities								
Financial Treasury Bills (i)	-	-	2,536,934	2,532,669	-	-	13.8%	2,532,669
National Treasury Bills	-	-	200	200	-	-	15.8%	200
National Treasury Notes - series B	-	-	519,445	509,728	-	-	10.5%	509,728
Private Fixed-income Securities								
Debentures	773	773	-	-	-	-	-	773
Financial Bills	-	-	-	-	258,287	258,287	14.5%	258,287
Real Estate Investment Fund quotas	-	-	262,441	250,776	-	-	10.4%	250,776
Investment Fund quotas								
Debentures	-	-	11,997	11,986	-	-	15.1%	11,986
Financial Bills	-	-	142,816	142,847	-	-	14.3%	142,847
Financial Treasury Bills	5,913	6,163	939,072	938,382	-	-	13.8%	944,545
National Treasury Bills	-	-	165,539	165,891	-	-	11.6%	165,891
Repurchase Agreements	129,777	129,777	36,647	36,647	-	-	13.6%	166,424
Others	127	127	20	20	-	-	-	147
Quotas of Equity Security Investment Funds								
Shares - Brazilian Corporations	20,761	20,749	-	-	-	-	-	20,749
Repurchase Agreements	724	724	-	-	-	-	-	724
	158,075	**158,313**	**4,615,111**	**4,589,146**	**258,287**	**258,287**		**5,005,746**
Investments - Overseas								
Investment Fund quotas not w holly-ow ned	104,438	104,438	-	-	-	-	24.4%	104,438
American Deposits Receipt (ii)	-	-	19,580	4,283	-	-	6.3%	4,283
Sovereign Debt Securities (ii)	5,585	5,585	258,323	226,297	-	-	27.5%	231,882
Brazilian Corporate Bonds (iii)	-	-	-	-	5,264	5,264	4.2%	5,264
Fixed-income securities (HSBC)	-	-	35,457	34,318	-	-	2.5%	34,318
Time Deposits - Overseas (v)	155,119	155,119	-	-	-	-	5.4%	155,119
Other foreign investments	230,048	230,048	-	-	-	-	-	230,048
	495,190	**495,190**	**313,360**	**264,898**	**5,264**	**5,264**		**765,352**
	653,265	**653,503**	**4,928,471**	**4,854,044**	**263,551**	**263,551**		**5,771,098**
%		11.3%		84.1%		4.6%		100.0%
Current		653,503		177,513		5,264		836,280
Non-current		-		4,676,531		258,287		4,934,818

	Parent company							
	2015							
	Fair value through profit or loss		Available for sale		Held to maturity			
	Marketable security evaluated by the curve	Carrying amount	Marketable security evaluated by the curve	Carrying amount	Marketable security evaluated by the curve	Carrying amount	Average interest rate - %	Total
Government Fixed-income Securities								
Financial Treasury Bills (i)			2,538,572	2,537,937			13.24%	2,537,937
National Treasury Bills			1,131,418	1,127,107			13.26%	1,127,107
National Treasury Notes - series B			627,661	590,585			17.44%	590,585
Private Fixed-income Securities								
Debentures	886	409						409
Financial Bills					224,661	224,661		224,661
Real Estate Investment Fund quotas								
Real Estate Investment Funds			40,044	39,570			8.21%	39,570
Wholly-ow ned Real Estate Investment Funds								
Real Estate Share in Shopping Malls			99,232	99,131			0.15%	99,131
Fixed-income Fund quotas			544	544			2.63%	544
Other			(58)	(58)				-58
Investment Fund quotas								
Bank Deposit Certificates			10,815	10,815			13.38%	10,815
Debentures			18,442	18,482			14.41%	18,482
Financial Bills			123,679	123,163			13.95%	123,163
Financial Treasury Bills (i)	148	148	34,853	34,853			13.25%	35,001
Repurchase Agreements	274,780	274,780	22,008	22,008			14.22%	296,788
Other	16	16	(18)	(18)				-2
Quotas of Equity Security Investment Funds								
Shares - Brazilian Corporations	46,231	43,428						43,428
Financial Treasury Bills	449	459					13.25%	459
Repurchase Agreements	2,009	2,009					14.14%	2,009
Other	(267)	(261)						-261
	324,252	**320,988**	**4,647,192**	**4,604,119**	**224,661**	**224,661**		**5,149,768**
Investments - Overseas								
Investment Fund quotas not w holly-ow ned	75,077	75,077					23.68%	75,077
American Deposits Receipt (ii)			23,459	2,183				2,183
Sovereign Debt Securities (ii)	6,801	6,801	457,014	360,925			5.57%	367,726
Brazilian Corporate Bonds (iii)					25,601	25,601	4.29%	25,601
Fixed-income securities (HSBC)			40,537	39,266			2.39%	39,266
Time Deposits - Overseas (v)	312,029	312,029					20.96%	312,029
Other foreign investments	275,626	275,626						275,626
	669,533	**669,533**	**521,010**	**402,374**	**25,601**	**25,601**		**1,097,508**
	993,785	**990,521**	**5,168,202**	**5,006,493**	**250,262**	**250,262**		**6,247,276**
%		16%		80%		4%		100%
Current		990,521		1,049,709	20,481			2,060,711
Non-current				3,956,784	229,781			4,186,565

	Consolidated							
	2016							
	Fair value through profit or loss		Available for sale		Held to maturity			
	Marketable security evaluated by the curve	Carrying amount	Marketable security evaluated by the curve	Carrying amount	Marketable security evaluated by the curve	Carrying amount	Average interest rate - %	Total
Government Fixed-income Securities								
Financial Treasury Bills (i)	-	-	2,536,934	2,532,669	-	-	13.8%	2,532,669
National Treasury Bills	-	-	200	200	-	-	15.8%	200
National Treasury Notes - Series B	-	-	519,445	509,728	-	-	10.5%	509,728
Private Fixed-income Securities								
Debentures	773	773	-	-	-	-	-	773
Financial Bills	-	-	-	-	258,287	258,287	14.5%	258,287
Real Estate Investment Fund quotas			40,044	40,384			10.4%	40,384
Investment Fund quotas								
Debentures	-	-	11,997	11,986	-	-	15.1%	11,986
Financial Bills	-	-	142,816	142,847	-	-	14.3%	142,847
Financial Treasury Bills	5,913	6,163	939,072	938,382	-	-	13.8%	944,545
National Treasury Bills	-	-	165,539	165,891	-	-	11.6%	165,891
Repurchase Agreements	130,107	130,097	36,647	36,670	-	-	13.6%	166,767
Investment Fund quotas not w holly-ow ned	19,754	19,754	-	-	-	-	-	19,754
Quotas of Equity Security Investment Funds								
Shares - Brazilian Corporations	20,761	20,763	-	-	-	-	-	20,763
Repurchase Agreements	724	724	-	-	-	-	13.6%	724
	178,032	**178,274**	**4,392,694**	**4,378,757**	**258,287**	**258,287**		**4,815,318**
Aplicações no Exterior								
Investment Fund quotas not w holly-ow ned	104,438	104,438	-	-	-	-	24.4%	104,438
American Deposits Receipt (ii)	-	-	19,580	4,283	-	-	6.3%	4,283
Sovereign Debt Securities (ii)	5,585	5,585	258,323	226,297	-	-	27.5%	231,882
Brazilian Corporate Bonds (iii)	-	-	-	-	5,264	5,264	4.2%	5,264
Fixed-income securities (HSBC)	-	-	35,457	34,318	-	-	2.5%	34,318
Time Deposits - Overseas (v)	155,119	155,119	-	-	-	-	5.4%	155,119
U.S. Treasury Securities Obligations of U.S.	-	-	7,150	7,108	-	-	-	7,108
Obligation of U.S. Government Corporations and Agencies	-	-	1,099	1,091	-	-	-	1,091
Non-U.S. Government	-	-	1,292	1,293	-	-	-	1,293
Sec Issued by States & Terr.	-	-	225	224	-	-	-	224
Corporate Securities	-	-	5,980	5,961	-	-	-	5,961
Short-term Investments	-	-	294	294	-	-	-	294
Other foreign investments	230,048	230,048	-	-	-	-	-	230,048
	495,190	**495,190**	**329,400**	**280,869**	**5,264**	**5,264**		**781,323**
	673,222	**673,464**	**4,722,094**	**4,659,626**	**263,551**	**263,551**		**5,596,641**
%				83.3%		4.7%		100.0%
Current		673,464		182,745		5,264		861,473
Non-current				4,476,881		258,287		4,735,168

	Consolidated							
	2015							
	Fair value through profit or loss		Available for sale		Held to maturity			
	Marketable security evaluated by the curve	Carrying amount	Marketable security evaluated by the curve	Carrying amount	Marketable security evaluated by the curve	Carrying amount	Average interest rate - %	Total
Government fixed-income securities								
Financial Treasury Bills (i)			2,538,572	2,537,937			13.24%	2,537,937
National Treasury Bills			1,131,418	1,127,107			13.26%	1,127,107
National Treasury Notes - Series B			627,661	590,585			17.44%	590,585
								0
Private fixed income securities								
Debentures	886	409						409
Financial bills					224,661	224,661	14.22%	224,661
Real Estate Investment Fund quotas								
Real Estate Investment Funds			40,044	39,570			8.21%	39,570
Fixed-income Fund quotas			544	544			2.63%	544
Investment Fund quotas								
Bank Deposit Certificates			10,815	10,815			13.38%	10,815
Debentures			18,442	18,482			14.41%	18,482
Financial Bills			123,679	123,163			13.95%	123,163
Financial Treasury Bills (i)	148	148	34,853	34,853			13.25%	35,001
Repurchase Agreements	274,810	274,810	22,024	22,024			14.22%	296,834
Quotas of Equity Security Investment Funds								
Shares - Brazilian Corporations	46,230	43,432						43,432
Financial Treasury Bills	449	459					13.25%	459
Repurchase Agreements	2,132	2,132					14.14%	2,132
	324,655	**321,390**	**4,548,052**	**4,505,080**	**224,661**	**224,661**		**5,051,131**
Investments - Overseas								
Investment Fund quotas								
Not w holly-ow ned	75,077	75,077					23.68%	75,077
American Deposits Receipt (ii)			23,459	2,183				2,183
Sovereign Debt Securities (ii)	6,801	6,801	457,014	360,925			5.57%	367,726
Brazilian Corporate Bonds (iii)					25,601	25,601	4.29%	25,601
Fixed-income securities (HSBC)			40,537	39,266			2.39%	39,266
Time Deposits - Overseas (v)	312,029	312,029					20.96%	312,029
U.S. Treasury Securities Obligations of U.S.			6,811	6,811				6,811
Obligations of U.S. Government Corporations and Agencies			3,115	3,115				3,115
Non-U.S. Government			278	278				278
Corporate Securities			9,467	9,467				9,467
Short-term Investments			2,329	2,329				2,329
Other foreign investments	275,626	275,626						275,626
	669,533	**669,533**	**543,010**	**424,374**	**25,601**	**25,601**		**1,119,508**
	994,188	**990,923**	**5,091,062**	**4,929,454**	**250,262**	**250,262**		**6,170,639**
%		16%		80%		4%		100%
Current		**990,923**		**1,054,999**		**20,934**		**2,066,856**
Non-Current				**3,874,455**		**229,328**		**4,103,783**

(i) Financial Treasury Bills

These are government securities of the Brazilian National Treasury that are part of IRB Brasil RE's portfolio. Their income is updated by the Selic rate and the securities are under custody in Banco do Brasil. These securities are adjusted to their market values, obtained through information published by ANBIMA - Brazilian Association of Financial and Capital Market Operators.

(ii) Sovereign Debt Securities and Debts of Brazilian State-owned Companies

These represent fixed-income securities issued abroad, in U.S. dollars, by the Union.

(iii) Brazilian Corporate Bonds

These represent fixed-income securities issued by subsidiaries of Brazilian companies, headquartered abroad. These bonds, denominated in U.S. dollars, are planned for the international market. They are managed by Bank of America in New York. In June 2011, the reserve was accounted for at a ratio of 100% of the due and outstanding securities, except in the case of renegotiated securities, due to the fulfillment of financial obligations by the debt holders.

(iv) Corporate Bonds

These are mortgage-backed securities issued by U.S. private companies, based on real estate loans in the amount of R$ 50,145. The Company constituted a reserve for devaluation because it considers the losses in their value as permanent.

(v) Time Deposits Abroad

These represent investments in time deposits responsibility for which lies with HSBC, Habobank e Banco Patagônia in New York and the maturities of which vary between 12 and 120 days. The origin currencies of these investments are the U.S. dollar and peso.

6.1.1 Opening of investments by type and maturity

	Parent company				
	2016				
	No stated maturity	From 1 to 180 days	From 181 to 365 days	Over 365 days	Total
Fair value through profit or loss					
Private Fixed-income Securities					
Debentures	773	-	-	-	773
Investment Fund quotas					
Financial Treasury Bills	-	5,909	186	68	6,163
Repurchase Agreements	-	129,777	-	-	129,777
Quotas of Equity Security Investment Funds					
Shares - Brazilian Companies	20,749	-	-	-	20,749
Repurchase Agreements	-	724	-	-	724
Other	127	-	-	-	127
Investments - Overseas					
Not Wholly-owned investment fund quotas	104,438	-	-	-	104,438
Sovereign Debt Securities	-	812	4,773	-	5,585
Time Deposits - Overseas	-	155,119	-	-	155,119
Other foreign investments	230,048	-	-	-	230,048
	356,135	**292,341**	**4,959**	**68**	**653,503**
Available-for-sale					
Government Fixed-income Securities					
Financial Treasury Bills	-	-	-	2,532,669	2,532,669
National Treasury Notes	-	-	-	509,728	509,728
National Treasury Bills	-	200	-	-	200
Investment Fund quotas					
Debêntures	-	1,945	1,464	8,577	11,986
National Treasury Bills	-	19,990	-	145,901	165,891
Financial Bills	-	1,319	62,578	78,950	142,847
Financial Treasury Bills	-	8,426	-	929,956	938,382
Repurchase Agreements	-	36,647	-	-	36,647
Others	20	-	-	-	20
Real Estate Investment Fund quotas					250,776
Investments - Overseas					
American Deposits Receipt	4,283	-	-	-	4,283
Sovereign Debt Securities	-	29,361	-	196,936	226,297
Fixed-income securities (HSBC)	-	4,679	4,412	25,227	34,318
	6,492	**102,567**	**68,454**	**4,676,531**	**4,854,044**
Held-to-maturity					
Financial Bills	-	-	-	258,287	258,287
Investments - Overseas					
Brazilian Corporate Bonds	-	5,264	-	-	5,264
	-	**5,264**	**-**	**258,287**	**263,551**

	Parent company				
	2015				
	No stated maturity	From 1 to 180 days	From 181 to 365 days	Over 365 days	Total
Fair value through profit or loss					
Private Fixed-income Securities					
Debentures	409				409
Investment Fund quotas					
Exclusive investment fund quotas					
Financial Treasury Bills				148	148
Repurchase Agreements		268,715		6,065	274,780
Others		16			16
Quotas of Equity Security Investment Funds					
Shares - Brazilian Companies	43,428				43,428
Financial Treasury Bills				459	459
Repurchase Agreements		2,009			2,009
Others		(261)			(261)
Investments - Overseas					
Not Wholly-owned investment fund quotas	75,077				75,077
Sovereign Debt Securities				6,801	6,801
Time Deposits - Overseas		312,029			312,029
Other foreign investments	275,626				275,626
	394,540	**582,508**		**13,473**	**990,521**
Available-for-sale					
Government Fixed-income Securities					
Financial Treasury Bills				2,537,937	2,537,937
National Treasury Notes			28,339	562,246	590,585
National Treasury Bills		434,456	528,359	164,292	1,127,107
Investment Fund quotas					
Long-term Wholly-owned Investment Fund quotas					
Bank Deposit Certificates		2,025	8,790		10,815
Debentures		1,922	1,602	14,958	18,482
Financial Bills			12,165	110,998	123,163
Financial Treasury Bills				34,853	34,853
Repurchase Agreements		22,008			22,008
Others	(18)				(18)
Real Estate Investment Fund quotas					
Real Estate Investment Funds				39,570	39,570
Wholly-owned Real Estate Investment Funds					
Property				99,131	99,131
Fixed-income Fund quotas	544				544
Others	(58)				(58)
Investments - Overseas					
American Deposits Receipt	2,183				2,183
Sovereign Debt Securities				360,925	360,925
Fixed-income securities (HSBC)		2,901	4,491	31,874	39,266
	2,651	**463,312**	**583,746**	**3,956,784**	**5,006,493**
Held-to-maturity					
Private Fixed-income Securities				224,661	224,661
Financial Bills					
Investments - Overseas					
Brazilian Corporate Bonds		14,118	6,363	5,120	25,601
Time Deposits - Overseas					
		14,118	**6,363**	**229,781**	**250,262**

	Consolidated				
	2016				
	No stated maturity	From 1 to 180 days	From 181 to 365 days	Over 365 days	Total
Fair value through profit or loss					
Private Fixed-income Securities					
Debentures	773	-	-	-	773
Investment Fund quotas					
Financial Treasury Bills	-	5,909	186	68	6,163
Repurchase Agreements	-	130,097	-	-	130,097
Not Wholly-owned investment fund quotas	19,754	-	-	-	19,754
Quotas of Equity Security Investment Funds					
Shares - Brazilian Companies	20,763	-	-	-	20,763
Repurchase Agreements	-	724	-	-	724
Investments - Overseas					
Not Wholly-owned investment fund quotas	104,438	-	-	-	104,438
Sovereign Debt Securities	-	812	4,773	-	5,585
Time Deposits - Overseas	-	155,119	-	-	155,119
Other foreign investments	230,048	-	-	-	230,048
	375,776	**292,661**	**4,959**	**68**	**673,464**
Available-for-sale					
Government Fixed-income Securities					
Financial Treasury Bills	-	-	-	2,532,669	2,532,669
National Treasury Notes	-	-	-	509,728	509,728
National Treasury Bills	-	200	-	-	200
Investment Fund quotas					
Debêntures	-	1,945	1,464	8,577	11,986
National Treasury Bills	-	19,990	-	145,901	165,891
Financial Bills	-	1,319	62,578	78,950	142,847
Financial Treasury Bills	-	8,426	-	929,956	938,382
Repurchase Agreements	-	36,670	-	-	36,670
Real Estate Investment Fund quotas					40,384
Investments - Overseas					
American Deposits Receipt	4,283	-	-	-	4,283
Sovereign Debt Securities	-	29,361	-	196,936	226,297
Fixed-income securities (HSBC)	-	4,679	4,412	25,227	34,318
U.S. Treasury Securities Obligations of U.S.	-	637	1,712	4,759	7,108
Obligation of U.S. Government Corporations and Agencies	-	-	212	879	1,091
Non-U.S. Government	-	411	-	882	1,293
Sec Issued by States & Terr.	-	-	-	224	224
Corporate Securities	-	393	1,466	4,102	5,961
Short-term Investments	294				294
	6,870	**104,031**	**71,844**	**4,476,881**	**4,659,626**
Held-to-maturity					
Financial Bills	-	-	-	258,287	258,287
Investments - Overseas					
Brazilian Corporate Bonds	-	5,264	-	-	5,264
	-	**5,264**	**-**	**258,287**	**263,551**

	Consolidated				
	2015				
	No stated maturity	From 1 to 180 days	From 181 to 365 days	Over 365 days	Total
Fair value through profit or loss					
Private Fixed-income Securities					
Debentures	409	-	-	-	409
Investment Fund quotas					
Financial Treasury Bills	-	-	-	148	148
Repurchase Agreements	-	268,745	-	6,065	274,810
Quotas of Equity Security Investment Funds					
Shares - Brazilian Companies	43,432	-	-	-	43,432
Financial Treasury Bills	-	-	-	459	459
Repurchase Agreements	-	2,132	-	-	2,132
Investments - Overseas					
Not Wholly-owned investment fund quotas - Not exclusive	75,077	-	-	-	75,077
Sovereign Debt Securities	-	-	-	6,801	6,801
Time Deposits - Overseas	-	312,029	-	-	312,029
Other foreign investments	275,626	-	-	-	275,626
	394,544	**582,906**	**-**	**13,473**	**990,923**
Available-for-sale					
Government Fixed-income Securities					
Financial Treasury Bills	-	-	-	2,537,937	2,537,937
National Treasury Notes	-	-	28,339	562,246	590,585
National Treasury Bills	-	434,456	528,359	164,292	1,127,107
Investment Fund quotas					
Bank Deposit Certificates (CDB)	-	2,025	8,790	-	10,815
Debentures	-	1,922	1,602	14,958	18,482
Financial Bills	-	-	12,165	110,998	123,163
Financial Treasury Bills	-	-	-	34,853	34,853
Repurchase Agreements	-	22,024	-	-	22,024
Real Estate Investment Fund quotas					
Real Estate Investments Funds	-	-	-	39,570	39,570
Fixed-income Funds quotas	544	-	-	-	544
Investments - Overseas					
American Deposits Receipt	2,183	-	-	-	2,183
Sovereign Debt Securities	-	-	-	360,925	360,925
Fixed-income securities (HSBC)	-	2,901	4,491	31,874	39,266
U.S. Treasury Securities Obligations of U.S.	-	942	392	5,477	6,811
Obligations of U.S. Govermment corporations and agencies	-	294	98	2,723	3,115
Non- U.S. Govermment	-	-	-	278	278
Corporate Securities	-	372	1,224	7,871	9,467
Short-term Investments	2,329	-	-	-	2,329
	5,056	**464,936**	**585,460**	**3,874,002**	**4,929,454**
Held-to-maturity					
Private Fixed-income Securities	-	-	-	224,661	224,661
Investments - Overseas					
Brazilian Corporate Bonds	-	14,118	6,363	5,120	25,601
	-	**14,118**	**6,363**	**229,781**	**250,262**

6.2 Changes in financial investments

Parent company

Changes in financial investments	Fair value through profit or loss	Available for sale	Held to maturity	Total
At December 31, 2015	990,521	5,006,493	250,262	6,247,276
Investments	3,659,342	4,908,967	-	8,568,309
Yield - redemption	(39,059)	(63,026)	(649)	(102,734)
Principal - redemption	(3,918,493)	(5,621,694)	(17,226)	(9,557,413)
Finance result	86,303	620,001	34,196	740,500
Adjustment to market value	-	87,282	-	87,282
Foreign exchange fluctuation	(125,111)	(83,979)	(3,032)	(212,122)
At December 31, 2016	**653,503**	**4,854,044**	**263,551**	**5,771,098**

Changes in financial investments	Fair value through profit or loss	Available for sale	Held to maturity	Total
At December 31, 2014	853,516	3,995,219	697,670	5,546,405
Investments	4,036,468	2,797,168	1,718,172	8,551,808
Yield - redemption	(45,208)	(31,176)	(10,336)	(86,720)
Principal - redemption	(4,138,474)	(2,322,920)	(2,215,712)	(8,677,106)
Finance result	120,191	547,219	48,343	715,753
Adjustment to market value	-	(122,322)	-	(122,322)
Foreign exchange fluctuation	164,028	143,305	12,125	319,458
At December 31, 2015	**990,521**	**5,006,493**	**250,262**	**6,247,276**

Consolidated

Changes in financial investments	Fair value through profit or loss	Available for sale	Held to maturity	Total
At December 31, 2015	990,923	4,929,454	250,262	6,170,639
Investments	3,683,196	4,923,363	-	8,606,559
Yield - redemption	(39,059)	(63,026)	(649)	(102,734)
Principal - redemption	(3,923,573)	(5,749,733)	(17,226)	(9,690,532)
Finance result	86,754	620,001	34,196	740,951
Adjustment to market value	-	87,282	-	87,282
Foreign exchange fluctuation	(125,111)	(87,255)	(3,032)	(215,398)
At December 31, 2016	**673,130**	**4,660,086**	**263,551**	**5,596,767**

Changes in financial investments	Fair value through profit or loss	Available for sale	Held to maturity	Total
At December 31, 2014	853,291	4,011,356	697,670	5,562,317
Investments	4,036,468	2,707,759	1,718,172	8,462,399
Yield - redemption	(45,208)	(31,176)	(10,336)	(86,720)
Principal - redemption	(4,138,474)	(2,327,369)	(2,215,712)	(8,681,555)
Finance result	120,818	547,901	48,343	717,062
Adjustment to market value	-	(122,322)	-	(122,322)
Foreign exchange fluctuation	164,028	143,305	12,125	319,458
At December 31, 2015	**990,923**	**4,929,454**	**250,262**	**6,170,639**

7 Credits of the reinsurance and retrocession operations

The credit accounts of the reinsurance and retrocession operations mainly represent the balances receivable arising from operating changes among the local insurers and reinsurers abroad, plus the premiums issued receivable, the respective commission, the indemnities from claims receivable and the credits from business arising from the past operations of the London branch, as follows:

7.1 Breakdown

	Parent company		Consolidated	
	2016	2015	2016	2015
Current				
Operations with insurers (7.2.1)	1,822,044	1,813,138	1,822,044	1,813,138
Operations with reinsurers (7.2.2)	558,334	403,458	558,334	403,458
Other operating credits	56,358	120,492	57,007	120,509
Reserve for impairment of trade receivables	(66,045)	(148,616)	(66,045)	(148,616)
	2,370,691	**2,188,472**	**2,371,340**	**2,188,489**
Non-current				
Operations with insurers (7.2.1)	31,392	31,643	31,392	31,643
Reserve for impairment of trade receivables	(31,392)	(31,643)	(31,392)	(31,643)
	-	**-**	**-**	**-**
	2,370,691	**2,188,472**	**2,371,340**	**2,188,489**

7.2 Changes

7.2.1 Operations with insurers

	Parent company and Consolidated				
Operations with insurers	Effective premium	Estimated premium	Premium RVNE	Loss	Total
At December 31, 2015	**1,016,800**	**398,701**	**275,431**	**153,849**	**1,844,781**
Premiums receivable	851,590	518,680	72,780	-	1,443,050
Receipts	(822,296)	(471,815)	(14,944)	-	(1,309,055)
Salvage, reimbursements and prepayments for settlement of claims	-	-	-	(28,135)	(28,135)
Exchange variation	(48,852)	(18,122)	(27,830)	(2,401)	(97,205)
At December 31, 2016	**997,242**	**427,444**	**305,437**	**123,313**	**1,853,436**
Current					1,822,044
Non-current					31,392
					1,853,436

	Parent company and Consolidated				
Operations with insurers	Effective premium	Estimated premium	Premium RVNE	Loss	Total
At December 31, 2014	**661,569**	**487,385**	**231,824**	**160,443**	**1,541,221**
Premiums receivable	3,358,274	54,202	43,821	-	3,456,297
Receipts	(3,022,758)	(163,966)	(52,703)	-	(3,239,427)
Salvage, reimbursements and prepayments for settlement of claims	-	-	-	(8,691)	(8,691)
Exchange variation	19,715	21,080	52,489	2,097	95,381
At December 31, 2015	**1,016,800**	**398,701**	**275,431**	**153,849**	**1,844,781**
Current					1,813,138
Non-current					31,643
					1,844,781

7.2.2 Operations with reinsurers

	Parent company and Consolidated			
	Effective premium	Claims	Others	Total
At December 31, 2015	172,823	231,023	(388)	403,458
Premiums receivable	353,024	-	-	353,024
Receipts	(235,760)	-	-	(235,760)
Recovery of losses	-	203,508	-	203,508
Exchange variation	(33,286)	(134,343)	(202)	(167,831)
Other credits	-	-	1,935	1,935
At December 31, 2016	**256,801**	**300,188**	**1,345**	**558,334**

	Effective premium	Claims	Others	Total
At December 31, 2014	81,744	426,275	4,219	512,238
Premiums receivable	318,307	-	-	318,307
Receipts	(245,175)	-	-	(245,175)
Recovery of losses	-	(237,201)	-	(237,201)
Exchange variation	17,947	41,949	7	59,903
Other credits	-	-	(4,614)	(4,614)
At December 31, 2015	**172,823**	**231,023**	**(388)**	**403,458**

7.3 Credit aging of reinsurance and retrocession operations

The analysis of the credit maturities of the reinsurance and retrocession operations is as follows:

				Parent company
Aging	Credit Operations	Debt Operations	Impairment of trade receivables	Total
Falling due	1,818,294	(745,025)	(11,094)	1,062,175
Overdue up to 30 days	169,123	(173,317)	(2,459)	(6,653)
Overdue between 31 and 60 days	86,010	(52,818)	(2,945)	30,247
Overdue between 61 and 120 days	142,106	(70,602)	(1,478)	70,026
Overdue between 121 and 180 days	20,698	(13,016)	(2,199)	5,483
Overdue between 181 and 365 days	43,820	(18,031)	(1,457)	24,332
Overdue for more than 365 days	188,077	(138,577)	(75,805)	(26,305)
	2,468,128	**(1,211,386)**	**(97,437)**	**1,159,305**

				Consolidated
Aging	Credit Operations	Debt Operations	Impairment of trade receivables	Total
Falling due	1,818,294	(745,025)	(11,094)	1,062,175
Overdue up to 30 days	169,123	(173,317)	(2,459)	(6,653)
Overdue between 31 and 60 days	86,010	(52,818)	(2,945)	30,247
Overdue between 61 and 120 days	142,106	(70,602)	(1,478)	70,026
Overdue between 121 and 180 days	20,698	(13,016)	(2,199)	5,483
Overdue between 181 and 365 days	43,820	(18,031)	(1,457)	24,332
Overdue for more than 365 days	188,726	(138,843)	(75,805)	(25,922)
	2,468,777	**(1,211,652)**	**(97,437)**	**1,159,688**

For the balances of accounts payable and accounts receivable overdue and falling due of R$ 1,256,742 in the parent company and R$ 1,257,125 in the consolidated, a provision for impairment of trade receivables was recorded in the amount of R$ 97,437, considering the customers' history of default, using the Company's own methodology, based on the segregation of business partners by operating segment in the country and abroad and related parties, rating classification by payment capacity history, customers with unsettled liabilities and special treatment for clients under negotiation.

8 Retrocession assets - technical reserves

8.1 Claims - retrocession (Breakdown)

Outstanding claims and incurred but not reported claims are as follows:

	Parent company			
	2016			
Line Groups	Claims pending payment	Claims pending payment in legal dispute	Claims incurred but not reported	Total
Property	924,990	75,251	267,845	1,268,086
Special risks	35,502	258	9,365	45,125
Casualty	211,533	27,482	31,244	270,259
Hull	354,055	6,826	127,837	488,718
Vehicle	1,825	4,269	713	6,807
Cargo	155,033	996	21,444	177,473
Financial risks	148,927	4,674	108,566	262,167
Credit	9,637	2,842	6,342	18,821
Life	22,513	1,285	11,723	35,521
Mortgage	153	-	232	385
Agriculture	5,620	4,427	8,897	18,944
Marine	8,293	413	3,791	12,497
Aviation	113,369	-	120,575	233,944
Others	27,834	-	6,008	33,842
	2,019,284	**128,723**	**724,582**	**2,872,589**

	Parent company			
	2015			
Line Groups	Claims pending payment	Claims pending payment in legal dispute	Claims incurred but not reported	Total
Property	1,222,605	150,492	213,380	1,586,477
Special risks	222,293	278	22,409	244,980
Casualty	231,240	30,295	12,585	274,120
Hull	502,725	13,572	39,554	555,851
Vehicle	2,012	53	1,763	3,828
Cargo	186,810	954	26,863	214,627
Financial risks	201,394	4,379	141,036	346,809
Credit	16,704	4,899	6,109	27,712
Life	21,690	2,071	7,600	31,361
Mortgage	96	-	173	269
Agriculture	14,744	4,292	24,858	43,894
Marine	10,597	-	11,121	21,718
Aviation	86,286	146	23,283	109,715
Others	14,611	-	289	14,900
	2,733,807	**211,431**	**531,023**	**3,476,261**

	Consolidated			
	2016			
Line Groups	Claims pending payment	Claims pending payment in legal dispute	Claims incurred but not reported	Total
Property	924,990	75,251	267,845	1,268,086
Special risks	35,502	258	9,365	45,125
Casualty	211,533	27,482	31,244	270,259
Hull	354,057	6,826	127,837	488,720
Vehicle	1,825	4,269	713	6807
Cargo	155,033	996	21,444	177,473
Financial risks	148,927	4,674	108,566	262,167
Credit	9,637	2,842	6,342	18,821
Life	22,513	1,285	11,723	35,521
Mortgage	153	-	232	385
Agriculture	5,620	4,427	8,897	18,944
Marine	8,293	413	3,791	12,497
Aviation	113,369	-	120,575	233,944
Others	57,534	-	6,008	63,542
	2,048,986	**128,723**	**724,582**	**2,902,291**

	Consolidated			
	2015			
Line Groups	Claims pending payment	Claims pending payment in legal dispute	Claims incurred but not reported	Total
Property	1,222,605	150,492	213,380	1,586,477
Special risks	222,293	278	22,409	244,980
Casualty	231,240	30,295	12,585	274,120
Hull	502,725	13,572	39,554	555,851
Vehicle	2,012	53	1,763	3,828
Cargo	186,810	954	26,863	214,627
Financial risks	201,394	4,379	141,036	346,809
Credit	16,704	4,899	6,109	27,712
Life	21,690	2,071	7,600	31,361
Mortgage	96	-	173	269
Agriculture	14,744	4,292	24,858	43,894
Marine	10,597	-	11,121	21,718
Aviation	86,286	146	23,283	109,715
Others	56,436	-	289	56,725
	2,775,632	**211,431**	**531,023**	**3,518,086**

8.1.1 Changes

	Parent company		
	2016		
	Claims pending payment	Claims incurred but not reported	Total
At December 31, 2015	2,945,238	531,023	3,476,261
Settlement of claims	(2,862,926)	(103,261)	(2,966,187)
Constitution of reserve for claims	2,065,695	296,820	2,362,515
At December 31, 2016	**2,148,007**	**724,582**	**2,872,589**

	2015		
	Claims pending payment	Claims incurred but not reported	Total
At December 31, 2014	2,743,224	269,950	3,013,174
Settlement of claims	(3,401,008)	(324,120)	(3,725,128)
Constitution of reserve for claims	3,603,022	585,193	4,188,215
At December 31, 2015	**2,945,238**	**531,023**	**3,476,261**

	Consolidated		
	2016		
	Claims pending payment	Claims incurred but not reported	Total
At December 31, 2015	2,987,063	531,023	3,518,086
Settlement of claims	(2,862,926)	(103,261)	(2,966,187)
Constitution of reserve for claims	2,053,572	296,820	2,350,392
At December 31, 2016	**2,177,709**	**724,582**	**2,902,291**

	2015		
	Claims pending payment	Claims incurred but not reported	Total
At December 31, 2014	2,743,447	269,970	3,013,417
Settlement of claims	(3,401,008)	(324,140)	(3,725,148)
Constitution of reserve for claims	3,644,624	585,193	4,229,817
At December 31, 2015	**2,987,063**	**531,023**	**3,518,086**

8.2 Deferred retrocession premiums

	Parent company and Consolidated						
	2016						
	Unearned premium reserve			Deferred acquisition costs			
Line Groups	Effective	Estimated	RVNE	Effective	Estimated	RVNE	Total
Property	223,844	71,019	33,180	(11,614)	(7,488)	(2,464)	306,477
Special risks	124,587	4,949	22,558	(9,159)	(49)	(1,268)	141,618
Casualty	23,686	7,624	5,102	(2,250)	(1,266)	(599)	32,297
Hull	54	-	-	(2)	-	-	52
Vehicle	1,524	876	59	(69)	(39)	(3)	2,348
Cargo	13,134	1,330	13,350	(721)	(69)	(1,696)	25,328
Financial risks	20,042	547	4,474	(1,130)	(226)	(820)	22,887
Life	12,587	-	1,824	(738)	-	(280)	13,393
Agriculture	2,876	4,245	227	(1,003)	(1,520)	(68)	4,757
Marine	10,937	5,726	3,113	(436)	(286)	(155)	18,899
Aviation	31,207	10,764	6,011	(12)	(3)	(169)	47,798
Others	56,323	2,980	-	(1,321)	(855)	-	57,127
	520,801	**110,060**	**89,898**	**(28,455)**	**(11,801)**	**(7,522)**	**672,981**

	Parent company and Consolidated						
	2015						
	Unearned premium reserve			Deferred acquisition costs			
Line Groups	Effective	Estimated	RVNE	Effective	Estimated	RVNE	Total
Property	270,567	15,719	24,424	(15,233)	(1,865)	(2,406)	291,206
Special risks	198,827	1,354	42,441	(15,736)	(68)	(2,734)	224,084
Casualty	20,373	5,352	3,846	(2,075)	(888)	(625)	25,983
Hull	329	-	-	-	-	-	329
Vehicle	615	1,902	42	(34)	(105)	(2)	2,418
Cargo	17,924	3,843	8,372	(399)	(213)	(1,097)	28,430
Financial risks	17,029	3,184	3,092	(1,246)	(1,002)	(684)	20,373
Credit	-	-	(1)	-	-	-	(1)
Life	7,238	714	35	(390)	(51)	(5)	7,541
Agriculture	213	-	360	(63)	(12)	(100)	398
Marine	10,581	398	7,505	(143)	(20)	(301)	18,020
Aviation	39,236	8,685	8,737	(200)	-	(280)	56,178
Others	39,002	5,470	-	(682)	(2,686)	-	41,104
	621,934	**46,621**	**98,853**	**(36,201)**	**(6,910)**	**(8,234)**	**716,063**

8.2.1 Changes

	Parent company and Consolidated						
	2016						
	Unearned premium reserve			Deferred acquisition costs			
	Effective	Estimated	RVNE	Effective	Estimated	RVNE	Total
At December 31, 2015	621,934	46,621	98,853	(36,201)	(6,910)	(8,234)	716,063
Deferral for risk	(379,430)	(47,139)	(34,153)	18,345	8,919	1,947	(431,511)
Constitution	278,297	110,578	25,198	(10,599)	(13,810)	(1,235)	388,429
At December 31, 2016	**520,801**	**110,060**	**89,898**	**(28,455)**	**(11,801)**	**(7,522)**	**672,981**

	2015						
	Effective	Estimated	RVNE	Effective	Estimated	RVNE	Total
At December 31, 2014	511,638	67,414	85,903	(46,668)	(3,100)	(7,332)	607,855
Deferral for risk	(1,197,174)	(288,017)	(43,974)	112,648	39,507	4,655	(1,372,355)
Constitution	1,307,470	267,224	56,924	(102,181)	(43,317)	(5,557)	1,480,563
At December 31, 2015	**621,934**	**46,621**	**98,853**	**(36,201)**	**(6,910)**	**(8,234)**	**716,063**

8.3 Other technical reserves

The reserve for technical surplus ensures the amounts for distribution of surplus due to technical surplus in the operation of agreements, and the provision for related expenses constitutes coverage of the expenses relating to claims.

	Parent company and Consolidated	
	2016	2015
Property	5,623	10,018
Special risks	237	1,271
Casualty	4,473	4,290
Hull	3,913	3,486
Vehicles	29	49
Cargo	181	233
Financial risks	319	95
Credit	6	4
Life	59	78
Mortgage	-	1
Agriculture	8	24
Marine	15	121
Aviation	2,518	761
	17,381	**20,431**

9 Securities and receivables

	Parent company		Consolidated	
	2016	2015	2016	2015
Current				
Trade receivables from shopping centers	-	6,487	15,833	6,487
Receivables from judicial agreements (**)	3,580	3,108	3,580	3,108
Receivables - health care expenses/INSS/retired	278	457	278	457
Prepayments to suppliars	2,192	189	2,192	189
Prepayments to employees	440	428	440	428
Others	304	384	430	1,644
Total current	**6,794**	**11,053**	**22,753**	**12,313**
Non-current				
Receivables from Caixa Econômica Federal (*)	15,987	15,686	15,987	15,686
Receivables from judicial agreements (**)	15,872	12,432	10,741	12,432
Total non-current	**31,859**	**28,118**	**26,728**	**28,118**
	38,653	**39,171**	**49,481**	**40,431**

(*) Amount arising from the recovery of amounts unduly paid on account of a suit relating to the Mortgage insurance of the Housing Financial System, using the resources of FESA.

(**) Amount from judicial agreements entered into with debtors.

10 Tax and social security credits

10.1 Tax and social security credits

	Parent company	
	2016	2015
Current		
Contributions and taxes over paid and recoverable (*)	96,660	126,244
Income tax withheld at source	4,944	4,848
Taxes to offset/recover	25	-
	101,629	**131,092**
Non-current		
Contributions and taxes over paid and recoverable (*)	165,066	206,190
Tax credits on temporary differences (**)	351,907	480,691
	516,973	**686,881**
	618,602	**817,973**

	Consolidated	
	2016	2015
Current		
Contributions and taxes over paid and recoverable (*)	96,660	126,244
Income tax withheld at source	4,964	4,848
Taxes to offset/recover	25	-
	101,649	**131,092**
Non-current		
Contributions and taxes over paid and recoverable (*)	165,066	206,190
Tax credits on temporary differences (**)	351,907	480,691
	516,973	**686,881**
	618,622	**817,973**

(*) Relates to overpayments for Social Integration Program ("PIS") (R$ 59,607) and Social Contribution on Revenue ("COFINS") (R$ 197,191), arising from the operation to increase the basis, a decision in the suit of which occurred on October 29, 2013, and the refund request on December 19, 2013. To determine and recording for these amounts, the credits on which there was no doubt or discussion were considered. These credits had been used by the Company to settle the monthly debts relating to direct taxes (Income Tax - IRPJ), Social Security (CSLL), PIS and COFINS). During the year R$ 76,127 were offset.

(**) Provisional Measure No. 675 of May 21, 2015 (the "MP") raised the rate of Social Contribution to 20%, which will be effective from September 1, 2015.

10.1.1 Tax credits on temporary differences

The deferred income tax and social contribution on temporary differences are as follows:

	Parent company and Consolidated			
	2016		2015	
	IRPJ	CSLL	IRPJ	CSLL
Non-current				
Tax credits on temporary differences				
Labor provisions (a)	381,694	381,694	313,815	313,815
Provision for devaluation of investment (b)	221,121	221,121	242,790	242,790
Provision for impairment of trade receivables (c)	189,677	189,677	302,154	302,154
Provision for tax and social security contingencies (d)	132,236	132,236	162,694	162,694
Market value adjustment - securities available-for-sale	74,427	74,427	161,709	161,709
Actuarial gains and losses - post-employment benefits	(53,508)	(53,508)	(22,390)	(22,390)
Provision for labor contingencies (d)	51,445	51,445	48,187	48,187
Market value adjustment - investment	(47,234)	(47,234)	(47,234)	(47,234)
Provision for tax/labor contingencies - liability	(160,800)	(160,800)	(108,491)	(108,491)
Other provisions	15,062	15,062	14,968	14,968
Calculation basis	**804,120**	**804,120**	**1,068,202**	**1,068,202**
Rate	25.0%	20.0%	25.0%	20.0%
Tax credit on temporary differences	**201,031**	**150,876**	**267,051**	**213,640**

The deferred income tax and social security tax credits arising from temporary differences are constituted based on the 25% and 20% rates, respectively. For temporary differences to be realized as from January 1, 2019, the Company used the rate of 15% to record the deferred social contribution.

(a) The realization of the tax credit is based on an actuarial calculation of the realization of the labor provisions and it considers the management's expectation regarding the realization of the asset.

(b) These refer to the provisions for losses on the financial investments "Brazilian Bonds", "BB Securities" and "Banco Econômico", the first and the seconf being an investment in default and the investment in "Banco Econômico" being in dispute.

(c) The realization of the tax credit on the provision for impairment of trade receivables is to be determined based on the judicial recovery of the credit or management decision to write off the loss.

(d) The realization of the tax credit on the provision for tax, social security and labor contingencies depends on the final decision and closing date of the lawsuits.

11 Properties to lease

	Parent company			
	Land	Buildings	Malls	Total
Cost of properties to lease - gross				
At December 31, 2015	16,489	672	171,561	188,722
Improvements	-	-	775	775
Transfer of assets to subsidiary (*)	(16,489)	(672)	(164,457)	(181,618)
At December 31, 2016	**-**	**-**	**7,879**	**7,879**
Accumulated depreciation				
At December 31, 2015	-	(672)	(13,619)	(14,291)
Depreciation	-	-	(1,119)	(1,119)
Transfer of assets to subsidiary (*)	-	672	13,005	13,677
At December 31, 2016	**-**	**-**	**(1,733)**	**(1,733)**
Net book value	**-**	**-**	**6,146**	**6,146**
Cost of properties to lease - gross				
At December 31, 2014	16,489	672	169,395	186,556
Improvements	-	-	2,166	2,166
At December 31, 2015	**16,489**	**672**	**171,561**	**188,722**
Accumulated depreciation				
At December 31, 2014	-	(672)	(10,364)	(11,036)
Depreciation	-	-	(3,255)	(3,255)
At December 31, 2015	**-**	**(672)**	**(13,619)**	**(14,291)**
Net book value	**16,489**	**-**	**157,942**	**174,431**

(*) Assets were transferred to subsidiary IRB Investimentos e Participações Imobiliárias at cost, net of accumulated depreciation for purposes of payment of capital.

	Consolidated			
	Land	Buildings	Malls	Total
Cost of properties to lease - gross				
At December 31, 2015	16,489	672	270,692	287,853
Acquisition (*)	-	-	111,366	111,366
Improvements	-	-	4,727	4,727
Disposal	(42)	91	(1,379)	(1,330)
At December 31, 2016	**16,447**	**763**	**385,406**	**402,616**
Accumulated depreciation				
At December 31, 2015	-	(672)	(13,619)	(14,291)
Depreciation	-	-	(3,298)	(3,298)
Disposal	-	(91)	(275)	(366)
At December 31, 2016	**-**	**(763)**	**(17,192)**	**(17,955)**
Net book value	**16,447**	**-**	**368,214**	**384,661**
Cost of properties to lease - gross				
At December 31, 2014	16,489	672	169,395	186,556
Acquisition	-	-	99,131	99,131
Improvements	-	-	2,166	2,166
At December 31, 2015	**16,489**	**672**	**270,692**	**287,853**
Accumulated depreciation				
At December 31, 2014	-	(672)	(10,364)	(11,036)
Depreciation	-	-	(3,255)	(3,255)
At December 31, 2015	**-**	**(672)**	**(13,619)**	**(14,291)**
Net book value	**16,489**	**-**	**257,073**	**273,562**

(*) Amount of R$ 111,366 refers to the acquisition of interest in Estacionamento do Internacional Shopping Guarulhos – Fundo de Investimento Imobiliário Parking Partners.

(a) The breakdown of the investments in shopping centers, with the Company's share percentage and respective improvements made by IRB Brasil RE in the year ended December 31, 2016, is as follows:

		Improvements	
		2016	2015
	Investment percentage	Improvements	Improvements
Park Shopping - Brasília	20.0%	444	1,352
Esplanada - Sorocaba	15.0%	100	292
Praia de Belas - Porto Alegre	20.0%	71	1,411
Minas Shopping - Belo Horizonte	19.0%	144	269
Shopping Barra - Salvador	20.0%	16	328
Book value of the improvements in active shopping centers		**775**	**3,652**
Return of improvements			
Park Shopping - Brasília		-	(1,486)
Net book value of the improvements in active shopping centers		**775**	**2,166**

The investments in shopping centers are recorded at cost and the Company annually determines the cash flow value expected for these investments and constitutes reserves for losses, when applicable, the market value of which is estimated at R$ 468,137.

The present value of the minimum payments of the lease receivable by the Company in the following years is as follows:

	2016	2015
Up to one year	40,406	35,997
Between one and five years	136,681	131,183
More than five years	127,904	153,488
Total	**304,991**	**320,668**

12 Property and equipment

						Consolidated	
	Land and buildings	Data processing equipment	Telecommunication equipment	Furniture, machinery and utensils	Other properties and equipment	Vehicles	Total
Property and equipment - gross cost							
At December 31, 2015	23,867	44,096	3,540	8,509	1,354	629	81,995
Additions	-	3,899	-	212	14,926	115	19,152
Disposals	(2,019)	-	-	(24)	-	(629)	(2,672)
Transfers	34	-	-	668	(702)	-	-
At December 31, 2016	**21,882**	**47,995**	**3,540**	**9,365**	**15,578**	**115**	**98,475**
Accumulated depreciation							
At December 31, 2015	(10,851)	(29,152)	(1,008)	(4,965)	-	(114)	(46,090)
Depreciation	(696)	(5,450)	(692)	(540)	(18)	(107)	(7,503)
Disposals	1,605	-	-	24	-	208	1,837
At December 31, 2016	**(9,942)**	**(34,602)**	**(1,700)**	**(5,481)**	**(18)**	**(13)**	**(51,756)**
Net book value	**11,940**	**13,393**	**1,840**	**3,884**	**15,560**	**102**	**46,719**
Property and equipment - gross cost							
At December 31, 2014	22,141	40,309	3,667	7,661	78	603	74,459
Additions	150	5,678	302	649	3,504	265	10,548
Disposals	-	(1,891)	(429)	(377)	-	(239)	(2,936)
Transfers	1,576	-	-	652	(2,228)	-	-
At December 31, 2015	**23,867**	**44,096**	**3,540**	**8,585**	**1,354**	**629**	**82,071**
Accumulated depreciation							
At December 31, 2014	(10,221)	(25,633)	(765)	(4,906)	-	(35)	(41,560)
Depreciation	(630)	(5,656)	(664)	(497)	-	(124)	(7,571)
Disposals	-	2,137	421	378	-	45	2,981
At December 31, 2015	**(10,851)**	**(29,152)**	**(1,008)**	**(5,025)**	**-**	**(114)**	**(46,150)**
Net book value	**13,016**	**14,944**	**2,532**	**3,560**	**1,354**	**515**	**35,921**

	Parent company						
	Land and buildings	Data processing equipment	Telecommunication equipment	Furniture, machinery and utensils	Other properties and equipment	Vehicles	Total
Property and equipment - gross cost							
At December 31, 2015	23,867	44,096	3,540	8,509	1,354	629	81,995
Additions	-	3,899	-	212	14,926	115	19,152
Disposals	(2,019)	-	-	(24)	-	(629)	(2,672)
Transfers	34	-	-	668	(702)	-	-
At December 31, 2016	**21,882**	**47,995**	**3,540**	**9,365**	**15,578**	**115**	**98,475**
Accumulated depreciation							
At December 31, 2015	(10,851)	(29,152)	(1,008)	(4,965)	-	(114)	(46,090)
Depreciation	(696)	(5,450)	(692)	(540)	(18)	(107)	(7,503)
Disposals	1,605	-	-	24	-	208	1,837
At December 31, 2016	**(9,942)**	**(34,602)**	**(1,700)**	**(5,481)**	**(18)**	**(13)**	**(51,756)**
Net book value	**11,940**	**13,393**	**1,840**	**3,884**	**15,560**	**102**	**46,719**
Property and equipment - gross cost							
At December 31, 2014	22,141	40,309	3,667	7,469	78	603	74,267
Additions	150	5,678	302	649	3,504	265	10,548
Disposals	-	(1,891)	(429)	(261)	-	(239)	(2,820)
Transfers	1,576	-	-	652	(2,228)	-	-
At December 31, 2015	**23,867**	**44,096**	**3,540**	**8,509**	**1,354**	**629**	**81,995**
Accumulated depreciation							
At December 31, 2014	(10,221)	(25,633)	(765)	(4,733)	-	(35)	(41,387)
Depreciation	(630)	(5,656)	(664)	(471)	-	(124)	(7,545)
Disposals	-	2,137	421	239	-	45	2,842
At December 31, 2015	**(10,851)**	**(29,152)**	**(1,008)**	**(4,965)**	**-**	**(114)**	**(46,090)**
Net book value	**13,016**	**14,944**	**2,532**	**3,544**	**1,354**	**515**	**35,905**

13 Intangible assets

	Parent company and Consolidated		
	Software development cost	Software development in progress	Total
Intangible assets - gross cost			
At December 31, 2015	107,330	2,266	109,596
Additions	18,662	1,792	20,454
Transfers	1,985	(1,985)	-
At December 31, 2016	**127,977**	**2,073**	**130,050**
Accumulated amortization			
At December 31, 2015	(46,239)	-	(46,239)
Amortization	(21,535)	-	(21,535)
At December 31, 2016	**(67,774)**	**-**	**(67,774)**
Net book value	**60,203**	**2,073**	**62,276**
Intangible assets - gross cost			
At December 31, 2014	85,694	1,439	87,133
Additions	15,226	7,237	22,463
Transfers	6,410	(6,410)	-
At December 31, 2015	**107,330**	**2,266**	**109,596**
Accumulated amortization			
At December 31, 2014	(29,951)	-	(29,951)
Amortization	(16,288)	-	(16,288)
At December 31, 2015	**(46,239)**	**-**	**(46,239)**
Net book value	**61,091**	**2,266**	**63,357**

14 Obligations payable and reserves for post-employment benefits

14.1 Obligations payable

	Parent company		Consolidated	
	2016	2015	2016	2015
Trade payables	16,825	7,457	16,825	7,457
Dividends	5,657	34,155	5,657	34,155
Interest on capital	51,653	2,643	51,653	2,643
Profit sharing	18,842	23,310	18,842	23,310
Key management compensation	14,442	11,812	14,442	11,812
Others	7,521	570	8,832	2,205
	114,940	**79,947**	**116,251**	**81,582**
Current	**114,630**	**79,637**	**115,941**	**81,272**
Non-current	**310**	**310**	**310**	**310**

14.2 Reserve for post-employment benefit

	Parent company and Consolidated	
	2016	2015
Benefit - post employment - Retirement (i)	175,694	170,443
Benefit - post employment - Health Care Plan (ii)	203,214	191,707
Benefit - post employment - Life Insurance (iii)	1,321	969
Benefit - post employment - Funeral Assistance (iv)	1,465	1,360
	381,694	**364,479**
Current	**32,771**	**35,582**
Non-current	**348,923**	**328,897**
	381,694	**364,479**

(i) Post-employment benefit - retirement

The Company pays in full a complementary pension and amounts due to the death of employees hired up to December 31, 1968, enhanced complementary retirement benefits for employees retired up to February 28, 1975 and pension improvement benefits concerning the beneficiaries of employees who died up to February 28, 1975.

(ii) Post-employment benefit - health and dental care

Self-management plans for health care coverage (first aid post), surgical (hospital confinement), obstetric and dental care, besides reimbursements and pharmacy benefits for active employees, retired employees and pensioners, as well as their dependents: for employees hired up to May 31, 2004, the dependents can be spouse, children and parents, with revenue lower than one Brazilian minimum wage. For employees hired from June 1, 2004, only spouse and children are considered as dependents. For those who have entered the Company from October 14, 1996, IRB Brasil RE pays 50% of the plan, i.e. of the amounts in tables I and II (items 5.1.4 and 5.1.5 of section 1 of the PCAM Standards) and the employees and beneficiaries pay the other installment equal to 50%. For those who entered the Company up to October 13, 1996, the contribution of the employee and their dependents varies from 0.25% to 2% of the amount of the items that compose the reference wage. The contributions are deducted monthly from salary, varying according to the hiring date, wage basis amount (%) and age (tables).

(iii) Post-employment benefit - life insurance

In the case of employees hired up to 1998, IRB-Brasil RE bears 100% of the premium and in the case of employees hired after that year, 50% of the premium. The participation of the employee is optional. Retired employees that desire to remain in the policy pay the full premium. The Company fully bears the cost of the premium for disabled retirees.

(iv) Post-employment benefit - funeral assistance

This benefit is only available for employees hired up to October 31, 1996. The assistance is limited to R$ 1,344.87 for a simple funeral, R$ 1,554.63 for cremation and R$ 2,640.80 for a funeral with cremation.

15 Reserves for taxes and contributions

	Parent company		Consolidated	
	2016	2015	2016	2015
IRPJ payable	8,433	-	9,185	-
CSLL payable	8,900	9,479	9,177	9,479
PIS/COFINS payable	-	4,792	128	4,792
Total	**17,333**	**14,271**	**18,490**	**14,271**

16 Debits of reinsurance and retrocession operations

The debit accounts of the reinsurance and retrocession operations represent, mainly, the balances payable arising from operating changes among local reinsurers and reinsurers abroad, plus the premiums payable, the respective commission, the indemnities from claims payable and the debits from business arising from the past operations of the London branch, as follows:

16.1 Breakdown

	Parent company		Consolidated	
	2016	2015	2016	2015
Operations with insurers	269,827	156,082	269,827	156,082
Operations with reinsurers	861,092	676,759	861,092	677,078
Reinsurance, retrocession brokers and others	49,117	52,500	49,383	52,521
Other operating debts	31,350	152,854	31,350	152,854
	1,211,386	**1,038,195**	**1,211,652**	**1,038,535**

16.2 Changes

16.2.1 Operation with insurers

	Parent company and Consolidated			
	Premiums	Claims	Others	Total
At December 31, 2015	751	155,137	194	156,082
Premiums and retrocession interest paid	(186)	-	-	(186)
Reinsurance loss payable	-	249,219	-	249,219
Reinsurance loss paid	-	(129,807)	-	(129,807)
Others payable	-	-	70	70
Others paid	-	-	(141)	(141)
Exchange variation	(204)	(5,161)	(45)	(5,410)
At December 31, 2016	**361**	**269,388**	**78**	**269,827**

	Premiums	Losses	Others	Total
At December 31, 2014	908	52,861	174	53,943
Premiums and retrocession interest paid	(342)	-	-	(342)
Reinsurance loss payable	-	1,890,438	-	1,890,438
Reinsurance loss paid	-	(1,792,016)	-	(1,792,016)
Others payable	-	-	103	103
Others paid	-	-	(97)	(97)
Exchange variation	185	3,854	14	4,053
At December 31, 2015	**751**	**155,137**	**194**	**156,082**

16.2.2 Operations with reinsurers

	Consolidated			
	Premiums	Claims	Others	Total
At December 31, 2015	660,762	8,708	7,608	677,078
Premiums, commission and retrocession interest payable	609,522	-	-	609,522
Premiums, commission and retrocession interest paid	(475,891)	-	-	(475,891)
Reinsurance claim payable	-	150,094	-	150,094
Reinsurance claim paid	-	(55,260)	-	(55,260)
Others payable	-	-	8,140	8,140
Others paid	-	-	(7,264)	(7,264)
Exchange variation	(50,809)	5,839	(357)	(45,327)
At December 31, 2016	**743,584**	**109,381**	**8,127**	**861,092**

	Premiums	Losses	Others	Total
At December 31, 2014	606,190	(16,372)	204	590,022
Premiums, commission and retrocession interest payable	1,236,915	-	-	1,236,915
Premiums, commission and retrocession interest paid	(1,224,317)	-	-	(1,224,317)
Reinsurance claim payable	-	148,828	-	148,828
Reinsurance claim paid	-	(116,424)	-	(116,424)
Other payables	-	-	47,739	47,739
Others paid	-	-	(40,449)	(40,449)
Exchange variation	41,974	(7,324)	114	34,764
At December 31, 2015	**660,762**	**8,708**	**7,608**	**677,078**

				Parent company
	Premiums	Claims	Others	Total
At December 31, 2015	660,583	8,671	7,505	676,759
Premiums, commission and retrocession interest payable	609,701	-	-	609,701
Premiums, commission and retrocession interest paid	(475,891)	-	-	(475,891)
Reinsurance claim payable	-	150,131	-	150,131
Reinsurance claim paid	-	(55,260)	-	(55,260)
Others payable	-	-	8,243	8,243
Others paid	-	-	(7,264)	(7,264)
Exchange variation	(50,809)	5,839	(357)	(45,327)
At December 31, 2016	**743,584**	**109,381**	**8,127**	**861,092**

	Premiums	Claims	Others	Total
At December 31, 2014	606,011	(16,409)	203	589,805
Premiums, commission and retrocession interest payable	1,236,915	-	-	1,236,915
Premiums, commission and retrocession interest paid	(1,224,317)	-	-	(1,224,317)
Reinsurance claim payable	-	148,828	-	148,828
Reinsurance claim paid	-	(116,424)	-	(116,424)
Others payable	-	-	47,637	47,637
Others paid	-	-	(40,449)	(40,449)
Exchange variation	41,974	(7,324)	114	34,764
At December 31, 2015	**660,583**	**8,671**	**7,505**	**676,759**

17 Technical reserves

17.1 Reserve for earned premiums and acquisition costs

							Parent company and Consolidated
							2016
	Unearned premium reserve			Deferred acquisition costs			Total
Line Groups	Effective	Estimated	RVNE	Effective	Estimated	RVNE	Total
Property	455,104	118,258	77,413	(37,576)	(15,043)	(9,154)	589,002
Special risks	170,434	8,343	32,006	(15,774)	-	(2,721)	192,288
Casualty	43,252	9,609	8,659	(4,736)	(1,535)	(852)	54,397
Hull	552	-	-	(28)	-	-	524
Vehicle	4,475	2,585	396	(688)	(466)	(109)	6,193
Cargo	37,962	4,541	30,105	(3,618)	(854)	(3,623)	64,513
Financial risks	119,368	43,205	22,908	(38,670)	(18,695)	(7,893)	120,223
Credit	-	-	2	-	-	-	2
Life	34,538	2,481	10,290	(37,360)	(624)	(1,724)	7,601
Mortgage	2,718	4,691	1,206	(186)	(947)	(236)	7,246
Agriculture	143,228	75,583	5,678	(34,247)	(18,411)	(1,371)	170,460
Marine	37,671	13,261	11,002	(3,450)	(728)	(1,162)	56,594
Aviation	43,826	14,215	20,721	(3,390)	(994)	(2,621)	71,757
Others	232,829	157,204	-	(44,605)	(37,265)	-	308,163
	1,325,957	**453,976**	**220,386**	**(224,328)**	**(95,562)**	**(31,466)**	**1,648,963**

	Parent company and Consolidated						
	2015						
	Unearned premium reserve			Deferred acquisition costs			Total
Line Groups	Effective	Estimated	RVNE	Effective	Estimated	RVNE	Total
Property	514,625	73,781	58,730	(37,788)	(14,602)	(5,859)	588,887
Special risks	291,668	1,432	54832	(28,621)	(2)	(4,479)	314,830
Casualty	39,436	7,268	6,481	(4,696)	(1,007)	(843)	46,639
Hull	672	-	-	(25)	-	-	647
Vehicle	6,228	5,697	315	(1,888)	(1,142)	(87)	9,123
Cargo	47,133	8,084	17706	(5,620)	(1,425)	(1,991)	63,887
Financial risks	110,831	42,029	15343	(33,045)	(17,488)	(4,935)	112,735
Life	25,276	2,711	169	(1,127)	(177)	(12)	26,840
Mortgage	2,529	6,498	33	(181)	(1,753)	(6)	7,120
Agriculture	182,267	73,584	3767	(44,019)	(17,788)	(903)	196,908
Marine	35,793	2,879	16,580	(3,408)	(559)	(1,275)	50,010
Aviation	57,855	10,476	22,497	(3,901)	(1,694)	(1,839)	83,394
Others	269,537	154,643	-	(49,276)	(37,725)	-	337,179
	1,583,850	**389,082**	**196,453**	**(213,595)**	**(95,362)**	**(22,229)**	**1,838,199**

17.1.1 Changes

	Parent company and Consolidated					
	2016					
	Unearned premium reserve			Deferred acquisition costs		
	Effective	Estimated	RVNE	Effective	Estimated	RVNE
At December 31, 2015	1,583,850	389,082	196,453	(213,595)	(95,362)	(22,229)
Deferred by risk	(772,626)	(293,212)	(38,916)	125,174	116,753	2,843
Constitution	514,733	358,106	62,849	(135,907)	(116,953)	(12,080)
At December 31, 2016	**1,325,957**	**453,976**	**220,386**	**(224,328)**	**(95,562)**	**(31,466)**

	2015					
	Unearned premium reserve			Deferred acquisition costs		
	Effective	Estimated	RVNE	Effective	Estimated	RVNE
At December 31, 2014	1,231,331	387,388	194,197	(135,639)	(103,661)	(16,824)
Deferred by risk	(460,731)	(410,551)	(73,441)	64,240	82,705	9,446
Constitution	813,250	412,245	75,697	(142,196)	(74,406)	(14,851)
At December 31, 2015	**1,583,850**	**389,082**	**196,453**	**(213,595)**	**(95,362)**	**(22,229)**

17.2 Outstanding reserve and reserve for claims incurred but not reported

	2016					
	Parent company			Consolidated		
	Claims pending payment	Claims pending payment in legal dispute	Claims incurred but not reported	Claims pending payment	Claims pending payment in legal dispute	Claims incurred but not reported
Line Groups	Reinsurance	Reinsurance	Reinsurance	Reinsurance	Reinsurance	Reinsurance
Property	1,641,975	167,537	438,270	1,641,976	167,537	438,270
Special risks	64,519	302	15,141	64,519	302	15,141
Casualty	458,589	90,627	66,662	458,590	90,627	66,662
Hull	405,532	13,725	149,388	405,532	13,725	149,388
Vehicle	157,148	28,044	28,861	157,148	28,044	28,861
Cargo	251,272	73	48,272	251,272	73	48,272
Financial risks	246,694	11,490	214,182	246,694	11,490	214,182
Credit	14,025	3,337	8,408	14,025	3,337	8,408
Life	115,856	7,582	59,291	115,856	7,582	59,291
Mortgage	12,146	775	20,346	12,146	775	20,346
Agriculture	106,823	11,558	156,904	106,823	11,558	156,904
Marine	67,091	2	19,578	67,091	2	19,578
Aviation	197,917	-	129,214	197,917	-	129,214
Run-off London Branch (*)	91,089	-	80,972	91,089	-	80,972
Others	487,436	-	111,879	487,786	-	141,576
	4,318,112	**335,052**	**1,547,368**	**4,318,464**	**335,052**	**1,577,065**

	2015					
	Parent company			Consolidated		
	Claims pending payment	Claims pending payment in legal dispute	Claims incurred but not reported	Claims pending payment	Claims pending payment in legal dispute	Claims incurred but not reported
Line Groups	Reinsurance	Reinsurance	Reinsurance	Reinsurance	Reinsurance	Reinsurance
Property	2,138,289	245,223	371,298	2,138,289	245,223	371,298
Special risks	297,564	325	31,188	297,564	325	31,188
Casualty	501,437	96,337	30,712	501,437	96,337	30,712
Hull	588,895	21,535	57,413	588,895	21,535	57,413
Vehicle	173,187	27,180	40,720	173,187	27,180	40,720
Cargo	291,247	2,583	55,195	291,247	2,583	55,195
Financial risks	331,103	18,953	233,104	331,103	18,953	233,104
Credit	21,494	5,866	10,114	21,494	5,866	10,114
Life	125,174	8,004	35,596	125,174	8,004	35,596
Mortgage	24,755	697	18,488	24,755	697	18,488
Agriculture	125,236	11,203	108,108	125,236	11,203	108,108
Marine	99,121	-	26,515	99,121	-	26,515
Aviation	214,193	2	39,231	214,193	2	39,231
Run-off London Branch (*)	119,299	-	98,361	119,299	-	98,361
Others	433,411	-	109,857	434,432	-	153,599
	5,484,405	**437,908**	**1,265,900**	**5,485,426**	**437,908**	**1,309,642**

(*) This includes the reserve for the risk of environmental pollution, diseases and other damage arising from the leakage of asbestos. These estimates comprise a higher level of uncertainty in relation to those relating to the other risks, because the occurrence and development of this type of loss is more unpredictable.

17.2.1 Changes

	Parent company		Consolidated	
			2016	
	Claims pending payment	Claims incurred but not reported	Claims pending payment	Claims incurred but not reported
At December 31, 2015	5,922,313	1,265,900	5,923,334	1,309,642
Settlement of claims	(2,822,688)	(251,656)	(2,823,357)	(265,701)
Constitution of reserve for claims	1,553,539	533,124	1,553,539	533,124
At December 31, 2016	**4,653,164**	**1,547,368**	**4,653,516**	**1,577,065**

	Parent company		Consolidated	
			2015	
	Claims pending payment	Claims incurred but not reported	Claims pending payment	Claims incurred but not reported
At December 31, 2014	5,381,192	796,289	5,383,377	796,515
Settlement of claims	(331,930)	(88,404)	(333,094)	(88,404)
Constitution of reserve for claims	873,051	558,015	873,051	601,531
At December 31, 2015	**5,922,313**	**1,265,900**	**5,923,334**	**1,309,642**

17.3 Claims under litigation

At December 31, 2016 and 2015, the section "Claims pending payment" includes payable balances concerning claims under litigation relating, mainly, to issues involving the scope of coverage of agreements' conditions and discrepancies between the amounts demanded by the insured parties and the evaluation of legal advisors, internal lawyers and/or the technical department of the Reinsurer.

The percentages calculated on an actuarial basis, by loss probability, and the corresponding provision constituted are as follows:

	Parent company and Consolidated					
					2016	
Probability	Number	Total exposure value	%	Claims pending payment	Retrocession	Net
Probable	702	378,663	41.0%	155,252	(59,646)	95,606
Possible	605	361,621	37.0%	133,800	(51,404)	82,395
Remote	208	766,676	6.0%	46,001	(17,673)	28,328
	1,515	**1,506,960**		**335,052**	**(128,723)**	**206,329**

	Parent company and Consolidated					
					2015	
Probability	Number	Total exposure value	%	Claims pending payment	Retrocession	Net
Probable	796	463,013	44.0%	203,726	(98,363)	105,363
Possible	675	595,716	29.0%	172,757	(83,411)	89,347
Remote	240	1,023,748	6.0%	61,425	(29,657)	31,768
	1,711	**2,082,477**		**437,908**	**(211,431)**	**226,477**

These court claims are recorded, gross of retrocession, as liabilities under "Claims pending payments ", and the recoverable values concerning the retrocession are classified under "Retrocession assets - technical reserves".

17.3.1 Aging of court claims

	Parent company and Consolidated		
Aging	Gross of retrocession	Retrocession	Net of retrocession
From 0 to 30 days	36,592	(19,023)	17,569
From 31 to 60 days	48	-	48
From 61 to 90 days	154	(77)	77
From 91 to 120 days	187	(93)	94
From 121 to 180 days	1,425	(1,200)	225
From 181 to 365 days	558	-	558
More than 365 days	296,088	(108,330)	187,758
	335,052	**(128,723)**	**206,329**

17.4 Other reserves

In 2009, the reserve for technical surplus began to be constituted in order to ensure the amounts for distribution of surplus due to technical surplus in the operationalization of agreements, and a reserve for related expenses was constituted for the coverage of expenses relating to claims.

	Parent company and Consolidated	
Line Groups	2016	2015
Property	17,827	17,352
Special risks	616	1,728
Casualty	12,402	11,757
Hull	4,488	4,216
Vehicle	1,653	1,096
Cargo	2,075	658
Financial risks	16,974	14,739
Credit	46	42
Life	19,407	7,462
Mortgage	4,863	1,247
Agriculture	6,013	750
Marine	296	719
Aviation	3,529	1,300
Others	10,278	1,408
	100,467	**64,474**

18 Guarantee of technical reserves

According to National Monetary Council ("CMN") Resolution 3,543, of February 28, 2008, the Reinsurers' technical reserves on December 31, 2016 and 2015 had the following coverage:

	Parent company		Consolidated	
	2016	2015	2016	2015
Insurance technical reserves	**7,949,962**	**9,090,886**	**7,980,011**	**9,135,649**
(-) Retrocession assets (*)	3,562,951	4,212,755	3,592,653	4,254,580
(+) Assets - reduction (*)	512,532	629,545	512,532	629,545
(-) Credit rights (*)	807,688	512,833	807,688	512,833
Amount to be guaranteed	**4,091,855**	**4,994,843**	**4,092,202**	**4,997,781**
Assets given as collateral:				
Exclusive investment fund quotas	1,453,312	529,885	1,453,312	529,885
Fixed-income investment funds	-	27,661	-	27,661
Financial Treasury Bills	2,511,183	2,519,054	2,511,183	2,519,054
Financial bills	258,287	224,661	258,287	224,661
National Treasury Notes	509,728	590,585	509,728	590,585
National Treasury Bills	200	1,127,106	200	1,127,106
Sovereign debt securities	226,297	360,923	226,297	360,923
Debentures	773	409	773	409
Total assets	**4,959,780**	**5,380,285**	**4,959,780**	**5,380,285**

(*) For the purpose of identifying the technical reserves balance to be covered by these assets, the liabilities balance of the group "Technical reserves – reinsurance and retrocessions" should be considered net of the assets balance of the group "Retrocession assets –technical reserves", which relates to the risk installment of retrocession.

19 Related parties

The main transactions carried out by the Reinsurer with related parties (shareholders) in normal market conditions are as follows:

	Parent company and Consolidated					
	2016		2015		2016	2015
	Receivable	Payable	Receivable	Payable	Result	Result
With shareholding in the Reinsurer						
Premiums	699,844	113,303	746,155	160,614	1,036,855	1,773,206
Indemnities and expenses of claims	60,175	143,184	29,520	79,912	(326,673)	(728,600)
Commissions	2,941	87,582	-	96,749	(176,864)	(345,360)
Others	-	7,602	-	10,108	(1,150)	(14,559)
	762,960	**351,671**	**775,675**	**347,383**	**532,168**	**684,687**

These amounts relate to reinsurance and retrocession operations carried out with insurers that hold shares in the Reinsurer, the amounts of which are included in the items "Credits of reinsurance and retrocession operations" and "Debits of reinsurance and retrocession operations" in the balance sheets and in the respective accounts recorded in the statements of income.

19.1 Key management compensation

The total compensation of directors and other boards and committees of the Company, at December 31, 2016, is as follows:

	Parent company and Consolidated	
	Accounts Payable	Result
At December 31, 2016	14,442	11,161
At December 31, 2015	11,812	15,652

20 Judicial and fiscal deposits, other lawsuits and tax obligations

	Parent company and Consolidated		
	2016		
	Fiscal and judicial deposits	Others	Tax obligations
Tax	**419,522**	**-**	**389,427**
COFINS	7,454	-	-
PIS	3,826	-	-
Social contribution	405,566	-	389,427
Income tax	1,608	-	-
FINSOCIAL	1,068	-	-
Social security	**107,885**	**-**	
National Institute of Social Security (INSS)	106,696	-	-
FGTS	1,189	-	-
Labor and civil	**43,392**	**58,173**	**-**
Labor lawsuits	28,197	51,442	-
Civil lawsuits	15,195	2,290	-
Fees	-	4,441	-
Non-current	**570,799**	**58,173**	**389,427**

	Parent company and Consolidated		
	2015		
	Fiscal and judicial deposits	Others	Tax obligations
Fiscais	**381,833**	**66,053**	**353,107**
COFINS	6,709	6,709	-
PIS	3,444	3,445	-
Social contribution	369,247	-	353,107
Income tax	1,447	55,899	-
Service tax (ISS)	986	-	-
Social security	**44,901**	-	-
National Institute of Social Security (INSS)	43,746	-	-
FGTS	1,155	-	-
Labor and civil	**47,308**	**54,131**	-
Labor lawsuits	29,970	48,184	-
Civil lawsuits	17,338	2,195	-
Fees	-	3,752	-
Non-current	**474,042**	**120,184**	**353,107**

20.1 Civil, labor, tax and social security lawsuits

The Company is a party in the following lawsuits, classified by nature, loss probability, value at risk and amounts provisioned in the table below:

	Parent company and Consolidated		
	2016		
	Number	Value at risk	Accounting balance (*)
Tax			
Probable	1	389,427	389,427
Possible	15	255,945	-
Remote	1	200	-
	17	**645,572**	**389,427**
Social security			
Possible	10	68,550	-
Remote	2	18,578	-
	12	**87,128**	**-**
Labor and civil			
Probable	53	53,732	53,732
Possible	88	39,392	4,441
Remote	20	8,810	-
	161	**101,934**	**58,173**

(*) The amount of R$ 389,427 (R$ 353,107 at December 31, 2015) is recorded as "Accounts payable – provision for taxes and contributions" and the amount of R$ 58,173 (R$ 120,184 at December 31, 2105) is recorded as contingent liabilities.

	Parent company and Consolidated		
	2015		
	Number	Value at risk	Accounting balance (*)
Tax			
Probable	2	407,561	407,561
Possible	14	194,543	11,600
Remote	1	200	
	17	**602,304**	**419,161**
Social security			
Possible	10	64,815	-
Remote	2	18,578	-
	12	**83,393**	**-**
Labor and civil			
Probable	79	50,379	50,379
Possible	83	34,701	3,752
Remote	22	7,786	-
	184	**92,866**	**54,131**

The provisions recorded in "Tax liabilities" relate to the Company's legal obligations, which are currently being discussed in court and, therefore, their settlement depends on not yet final decisions. For these legal obligations, the Company provides 100% of the value at risk, regardless of the classification of loss by the legal firms in charge of the actions.

The provisions recorded in "Other debts" relate to interpretive matters that fall under the concept of contingent liability according to the "CPC 25 - Provisions, Contingent Liabilities and Contingent Assets" and, therefore, values at risk are only recorded for proceedings classified as probable risk. For the proceedings assessed as representing a possible risk, the mentioned standard requires only the disclosure in explanatory notes. The proceedings assessed as representing a remote risk are not required to be disclosed.

20.2 Changes in reserves for lawsuits

	Parent company and Consolidated				
	2015	Additions	Monetary updates	Disposals	2016
Tax	**419,161**	**-**	**38,430**	**(68,164)**	**389,427**
COFINS (Note 20.3.2)	6,709	-	1,383	(8,092)	-
PIS (Note 20.3.2)	3,445	-	710	(4,155)	-
Social contribution (Note 20.3.4)	353,108	-	36,319	-	389,427
Income tax (Note 20.3.2)	55,899	-	18	(55,917)	-
Labor and civil	**54,131**	**6,400**	**4,940**	**(7,298)**	**58,173**
Labor suits (Note 20.3.3)	48,184	5,710	4,846	(7,298)	51,442
Cível	2,196	-	94	-	2,290
Fees	3,751	690	-	-	4,441
Final balance of the year	**473,292**	**6,400**	**43,370**	**(75,462)**	**447,600**

	2014	Additions	Monetary updates	Disposals	2015
Tax	**349,576**	**33,977**	**35,608**	**-**	**419,161**
COFINS (Note 20.3.2)	6,021	-	688	-	6,709
PIS (Note 20.3.2)	3,091	-	354	-	3,445
Social contribution (Note 20.3.4)	286,867	33,977	32,264	-	353,108
Income tax (Note 20.3.2)	53,597	-	2,302	-	55,899
Social security	**40,296**	**-**	**2,533**	**(42,829)**	**-**
INSS (Note 20.3.1)	40,296	-	2,533	(42,829)	-
Labor and civil	**53,565**	**29,882**	**3,408**	**(32,725)**	**54,131**
Labor suits (Note 20.3.3)	47,914	29,862	3,132	(32,725)	48,184
Cível	1,900	20	276	-	2,196
Fees	3,751	-	-	-	3,751
Final balance of the year	**443,437**	**63,859**	**41,549**	**(75,554)**	**473,292**

20.3 Tax lawsuits

20.3.1 Brazilian Institute of Social Security - INSS and Service Tax - ISS

Due to the inspections made by the INSS and by the Attorney General of the City of Rio de Janeiro (ISS), notices of assessment were drawn up and tax proceedings were filed in 1999 and 1989, respectively, based on supposed discrepancies in the tax and social security classifications adopted by the Company.

The Company filed administrative proceedings in order to cancel the penalties in question, reserving the amount of R$ 47,481 concerning the cases brought by the INSS regarding the additional 2.5% due by companies as opposed to financial institutions.

In relation to the court dispute regarding the additional INSS 2.5%, on April 30, 2010, the Company was required to pay the judicial deposit of the values claimed at the time (R$ 23,291) and, then, on May 28, 2010, it complemented the deposit with the inclusion of legal charges (R$ 4,666). The amounts challenged concerning the INSS have been judicially deposited, amounting to R$ 47,481. Considering that the appeal to the Federal Supreme Court filed by IRB Brasil RE has been suspended since March 29, 2010, without any change in the procedural progress, and that the likelihood of loss in said proceeding remains as possible, based on the evaluation of the outside legal counsel, and on the assessment of the little probability of loss evidenced by the facts and the procedural progress of the cases, the Company believes that there is no requirement to maintain a provision, and also that such deposits were not made by court order, but only for the issue of the social security certificate of IRB Brasil RE at the time.

With regard to the ISS tax enforcement measures and considering the important conclusions found in the expert's report about the matter, issued in November 2012, which seems extremely favorable to the Company's interests, the lawyers defending the case classify the loss probability as possible. The Company's legal advisors classify as possible the loss probability on both legal claims (INSS and ISS).

20.3.2 Offset of Tax on Net Income (ILL) and Social Investment Fund (FINSOCIAL) credits

In October 2001, the Company filed Refund/Compensation Requests regarding the ILL amounts paid in the period between December 31, 1988 and December 31, 1992, and FINSOCIAL paid in the period between October 1989 and December 1991, the unconstitutionality of which had already been acknowledged by the Supreme Federal Court.

During 2001 and 2002, the Company offset these tax credits with federal tax debts falling due. In November 2001, the Federal Revenue dismissed the requests for refund, claiming the extinction of the right to tax credits. Later, the Company appealed against the decision with the Tax Board obtaining, in both cases, favorable decisions in the appeal trial from the aforementioned Counsil.

In relation to the ILL administrative proceedings specifically, the Company was successful in the discussion of the facts involved and now only the discussion regarding the adjustment of the tax credits is pending, with the Company obtaining partial victory regarding the credit right to the ILL amounts (the historical value of the offset accepted by the Federal Revenue amounts to R$ 20,291 in March 2002), which have been ratified as part of the offsets carried out.

In this context, before the definitive decision in the administrative sphere the Company filed a suit, on March 2014, to judicially claim the parcel of the credits that were not recognized by the Brazilian Federal Revenue. Accordingly, on March 28, 2014, the Company judicially deposited the amounts charged through the debts mentioned, in order to end liability, in the amounts of R$ 5,573 for COFINS, R$ 2,861 for PIS and R$ 1,202 for income tax. These deposits, updated up to December 2016, amount to R$ 7,454, R$ 3,826 and R$ 1,608, respectively, and are fully reserved.

In relation to the FINSOCIAL administrative proceedings, the Company received, in February 2007, a notification to pay the approximate amount of R$ 33,836 related to FINSOCIAL credits offset against income tax payable, having filed a petition for Writ of Mandamus seeking the suspension of the collection of these tax debts until a final decision at the administrative level is issued. It is important to emphasize that the petition seeking suspension of the collection of the tax debts was granted by the judge, without the Company being required to make a judicial deposit of the related amount.

Considering the case law established by the STF (RE No. 566,621), under the general repercussion principle, with respect to the statute of limitations applicable to the requests of tax credit refunds claimed prior to the enactment of Complementary Law No. 118/2005 (10 years, on the grounds of the 5 plus 5 equation, that is, five years to ratify and five more years to reassess), the Company understands that it is virtually certain that the mentioned refund will be considered valid and, therefore, in 2016 reversed the provision for IRPJ in the amount of R$ 55,917, which had been previously offset against the mentioned FINSOCIAL credits.

20.3.3 Labor lawsuits

The Company is a party to labor suits filed by active, retired and dismissed employees, which aim at, among other claims equally relevant, the standardization of career and salary plans, with consequent payment of salary differences, as well as requests for salary equalization and job reinstatement. The Company's management, after individual analysis of these suits, has constituted a reserve for probable loss, considering those cases in the stages of settlement and enforcement of judgment.

A civil class action was filed with the 75th Labor Court of Rio de Janeiro by the National Union of Workers in Reinsurance Entities (SINTRES) and the National Federation of Insurance Brokers (FENESPIC) against the Company, claiming the restoration of all benefits and funding method established in the health care plan maintained by the Company in the past, on a self-management basis, on the grounds that alleged unilateral changes that were detrimental to the Company's employees and retirees had been made to it. In addition to the restoration of the original conditions, they claim the payment of compensation for pain and suffering to employees who have been replaced and to unions. After the suspension of the aforementioned lawsuit in 2014, considering that the attempts to reach an agreement were unsuccessful, in November 2016 the lawsuit was resumed, with a hearing scheduled for May 2017.

The Company's external legal advisors estimate the restated amount of the claims at R$51,442 and classify the likelihood of an unfavorable outcome as probable. The labor claims classified as possible losses total R$ 23,694.

20.3.4 Social contribution on income

With the publication of Provisional Measure - MP 413/08, which became Law No. 11,727 of June 23, 2008, there was an increase in the CSLL tax rate from 9% to 15% for private corporations, financial institutions and equivalent societies, as from May 2008.

In June 2008, the Company lodged a Writ of Mandamus, challenging the constitutionality of such a tax rate increase, constituting a reserve and judicially depositing the amounts challenged. At December 31, 2016, the amount judicially deposited, updated for payment of the CSLL, is R$ 405,566 (Note 20).

Petition for Writ of Mandamus filed on October 30, 2015 (Increase of the CSLL rate from 15% to 20%):

On October 30, 2015, the Company filed a petition for writ of mandamus, challenging Provisional Measure No. 675 of May 21, 2015, converted into Law 13,169 of October 7, 2015, which, by changing the provisions of Article 3, Item I of Law 7,689 of December 15, 1988, increased the rate of the Social Contribution on Net Income (CSLL) charged on private insurance companies and financial and similar institutions from 15% to 20% in September 2015. In November 2015, a decision was issued in respect of the court files of the Writ of Mandamus rejecting the injunction requested by alleging that the discussion about the increase of the CSLL rate on financial and similar institutions

would not be a new matter, considering the previous enactment of Provisional Measure No. 413/2008, which was further converted into Law 11,727/2008, and which is pending judgment by the Federal Supreme Court (STF) (Interpretative Declaratory Act (ADI) No. 4,101). In this context, a request for clarification of the aforesaid decision was filed, alleging omission of the arguments described in the claim about a clear difference between the economic capacity of the financial institutions and that of the insurance companies. It is important to emphasize that the Company elected not to make any other judicial deposits of the controversial portion of this contribution, but to pay monthly to the public coffers, the full amount of the contribution due (20.0%), that is, both the noncontroversial portion (9.0%) and the controversial portion (11.0%).

21 Labor provisions

	Parent company and Consolidated	
	2016	2015
Provision for holidays	7,846	7,209
Provision for bonus leave and private social security	3	3
	7,849	**7,212**

22 Equity

22.1 Capital

On December 29, 2014, the 47th Extraordinary General Meeting of IRB Brasil RE approved a share split, in the proportion of 300 (three hundred) common shares for each current common share issued by the Company, with no change in the value of the share capital, as approved by the Administrative Board at a meeting on October 24, 2014, making the share capital, represented by 312,000,000 common shares and one special class preferred share owned by the Union.

On December 31, 2016, the shareholding of IRB Brasil RE was as follows:

Shareholders	ON	% interest in voting capital
Ministry of Finance	36,458,237	11.7%
Banco do Brasil	63,726,600	20.5%
Bradesco	63,726,600	20.5%
Grupo Itaú (Itaú Seguros e Itaú Vida)	46,605,000	15.0%
FIP - Caixa Barcelona	30,743,700	9.9%
Fundo de Garantia de Operações de Crédito Educativo	49,161,763	15.8%
Others	20,277,000	6.5%
	310,698,900	**100.0%**

22.2 Treasury shares

In September 2013, the Company acquired 1,301,100 shares of its own issuance, which represent R$ 10,531, owned by the then shareholder Companhia de Seguros de São Paulo. On July 31, 2014 the Company acquired 283,500 shares of its own issuance, which had been owned by the then shareholder Caixa Geral S.A. – Seguradora (*), which together amount to 1,584,600 shares representing R$ 12,956.

(*) Ownership has not yet been transferred to IRB Brasil Resseguros S.A.

22.3 Revenue reserves

The legal reserve is constituted at 5% of net income for the year, with a limit of 20% of share capital, according to the provisions of Law No. 6,404 of December 16, 1976. The objective of the legal reserve is to ensure the integrity of the share capital and it can only be used to offset losses or to increase the capital.

The reinvestment reserve is constituted based on the proposal of the Company's management bodies based on budget forecast, and determined by a general meeting for a reserve of net profit based on Article 196, paragraph 1 of Law 6,404 of December 15, 1976. The balance of this reserve is limited to the Company's share capital and it is for investment projects.

The Company prepaid in the year interest on capital to the shareholders in the amount of R$ 242,606 to the revenue reserve account.

Pursuant to Article 199 of Law 6,404/76 (Brazilian Corporation Law), the balance of the revenue reserves, except for those for contingencies, tax incentives and unrealized profits, cannot exceed the amount of share capital. The Reinsurer reached this limit at December 31, 2016 and will resolve, at the next shareholders' meeting, on the payment of capital related to the total revenue reserves amounting to R$ 500,000.

22.4 Carrying value adjustments

The changes are as follows:

	Parent company and Consolidated	
	2016	2015
At the beginning of the year	**(80,405)**	**(28,788)**
Net gain (loss) arising from fair value of financial assets available-for-sale in the year	87,282	(122,322)
Unrealized gains with marketable securities - subsidiaries	(82)	(23)
Remeasurement of obligations of post-employment benefits	(57,103)	12,077
Remeasurement of obligations of post-employment benefits - subsidiaries	665	(1,465)
Income tax and social contribution on the variation of the assessment of the financial assets available-for-sale at fair value	(39,277)	57,014
Income tax and social contribution on the variation of the remeasurement obligations of post-employment benefits	24,518	(5,435)
Exchange differences due to translation of the assets of operations abroad	(887)	8,537
At the end of the year	**(65,289)**	**(80,405)**

The exchange differences relating to the translation of the net assets of the Company's operations abroad from their functional currencies into the Company's presentation currency are recognized in equity and accumulated in the carrying value.

22.5 Earnings per share - basic and diluted

According to the provisions of CPC Technical Pronouncement 41, the tables below reconcile the net profit for the year with the amounts used to calculate the basic diluted results per share.

The basic earnings per share are calculated by dividing the net profit for the year by the weighted average of the outstanding shares in the year. The calculation of the basic earnings per share is as follows:

	Parent company and Consolidated	
	2016	2015
Numerator		
Net profit for the year	849,874	763,718
Denominator (number of shares in units)	310,698,900	310,698,900
Weighted average of number of outstanding common shares		
Earnings per share	**2.74**	**2.46**

The Reinsurer has not issued and/or granted equity instruments that should be considered for the purpose of calculation of the diluted earnings per share, according to CPC Technical Pronouncement 41. Accordingly, the diluted earnings per share do not present a difference in relation to the calculation of the basic earnings per share shown above.

22.6 Dividends and interest on capital

	Parent company and Consolidated	
	2016	2015
Net profit for the year	849,874	763,718
Legal reserve (5.0%)	-	(6,947)
Dividend calculation basis	**849,874**	**756,771**
Mandatory minimum dividend (25.0%)	(212,469)	(189,194)
Additional proposed dividends payable	(424,936)	(454,062)
	(637,405)	**(643,256)**
Percentage on profit for the year	**75.0%**	**85.0%**
(-) Interest on capital to be considerered in dividends	219,844	159,487
Gross	242,606	176,000
Income tax	(22,762)	(16,513)
Minimum mandatory dividend payable		
2015 (R$ 0.10 for registered common shares and Golden Share)	-	29,705
Proposed additional dividend		
2015 (R$ 1.46 for registered common shares and Golden Share)	-	454,062
Proposed additional dividend		
2016 (R$ 1.34 for registered common shares and Golden Share)	417,561	-
Reserve for reinvestment	**432,313**	**273,004**

23 Details of the statement of income

On December 31, 2016 and 2015, the earned premiums, loss ratio and commission for the main lines were as follows:

23.1 Earned premiums - main operation groups

	Parent company and Consolidated							
	2016							
	Premiums issued gross amount	Reinsurance commission	Changes in technical reserves - premium	Changes in technical reserves - commission	Other technical reserves	Earned premiums	% Loss	% Commission
Property	1,273,721	(103,875)	(33,846)	4,183	(6,262)	1,133,921	40.9%	12.7%
Special risks	289,300	(2,186)	85,651	(9,876)	(232)	362,657	13.0%	10.7%
Casualty	126,789	(9,082)	(10,327)	864	(178)	108,066	90.7%	5.4%
Hull	2,147	-	112	2	-	2,261	205.4%	5.6%
Vehicle	23,051	(4,444)	4,783	(1,854)	(66)	21,470	144.9%	29.5%
Cargo	180,935	(18,340)	(4,166)	(568)	(1,524)	156,337	56.5%	16.3%
Financial risks	234,298	(81,190)	(19,851)	10,006	(1,768)	141,495	6.5%	39.4%
Credit	(1,901)	570	(4)	1	-	(1,334)	739.1%	23.0%
Life	334,264	(73,905)	(20,502)	38,396	(11,952)	266,301	71.0%	12.4%
Mortgage	68,823	(11,368)	445	(571)	(3,732)	53,597	3.6%	18.7%
Agriculture	944,100	(232,588)	35,129	(8,681)	(5,080)	732,880	93.6%	24.5%
Marine	123,709	(4,198)	(15,474)	927	(143)	104,821	39.8%	10.7%
Aviation	133,891	(10,164)	(848)	615	(630)	122,864	41.8%	19.6%
Others (*)	1,195,906	(190,000)	(49,603)	11,547	(11,011)	956,839	56.4%	21.7%
Total	**4,929,033**	**(740,770)**	**(28,501)**	**44,991**	**(42,578)**	**4,162,175**	**62.2%**	**20.1%**

	Parent company and Consolidated							
	2015							
	Premiums issued gross amount	Reinsurance commission	Changes in technical reserves - premium	Changes in technical reserves - commission	Other technical reserves	Earned premiums	% Loss	% Commission
Property	1,260,082	(96,038)	34,418	1,583	(823)	1,199,222	85.4%	10.8%
Special risks	242,206	1,828	123,234	(18,520)	143	348,891	40.9%	14.7%
Casualty	96,593	(7,332)	(3,779)	539	-	86,021	81.7%	4.8%
Hull	2,229	22	1,074	(31)	10	3,304	14.4%	6.1%
Vehicle	28,431	(5,724)	2,870	(1,592)	58	24,043	246.7%	29.9%
Cargo	186,567	(25,369)	4,218	(1,527)	506	164,395	35.6%	17.9%
Financial risks	193,944	(67,456)	(18,808)	15,355	(2,153)	120,882	13.9%	32.8%
Credit	(872)	(407)	566	(54)	498	(269)	2774.5%	112.6%
Life	209,848	(16,832)	(12,107)	871	13,325	195,105	77.0%	-8.6%
Mortgage	111,154	(23,729)	(6,342)	1,603	2,414	85,100	19.2%	20.9%
Agriculture	687,828	(169,197)	12,022	(1,673)	(438)	528,542	61.8%	26.0%
Marine	111,177	(7,255)	5,202	1,018	27	110,169	56.3%	9.9%
Aviation	162,049	(9,781)	4,866	(359)	38	156,813	96.8%	12.5%
Others (*)	1,045,115	(185,632)	(177,703)	42,116	(3)	723,893	50.0%	22.9%
Total	**4,336,351**	**(612,902)**	**(30,269)**	**39,329**	**13,602**	**3,746,111**	**61.0%**	**19.2%**

(*) Refers mainly to risks accepted abroad and branches abroad.

23.2 Incurred claims - main operation groups

	Parent company and Consolidated			
	2016			
	Direct claims	Salvage and reimbursements	IBNR variation	Incurred claims
Property	(547,258)	33,574	(86,826)	(600,510)
Special risks	130,985	1,171	11,571	143,727
Casualty	(35,975)	460	(36,791)	(72,306)
Hull	41,423	209	(103,319)	(61,687)
Vehicle	(39,646)	793	11,882	(26,971)
Cargo	(110,303)	23,440	3,072	(83,791)
Financial risks	21,367	2,964	18,682	43,013
Credit	(154)	11,445	1,704	12,995
Life	(195,751)	-	(23,724)	(219,475)
Mortgage	(732)	-	(1,785)	(2,517)
Agriculture	(824,481)	43	(48,800)	(873,238)
Marine	(36,465)	405	5,029	(31,031)
Aviation	(127,294)	24,409	(97,050)	(199,935)
Others	(598,598)	1,023	(20,334)	(617,909)
	(2,322,882)	**99,936**	**(366,689)**	**(2,589,635)**

	Parent company			
	2015			
	Direct claims	Salvage and reimbursements	IBNR variation	Incurred claims
Property	(735,281)	2,631	(150,649)	(883,299)
Special risks	(114,508)	-	(25,644)	(140,152)
Casualty	(92,265)	6	6,254	(86,005)
Hull	170,224	33	(33,592)	136,665
Vehicle	(68,477)	192	2,044	(66,241)
Cargo	(71,478)	14,785	7,393	(49,300)
Financial risks	70,424	11,436	(120,909)	(39,049)
Credit	5,050	5,408	(2,473)	7,985
Life	(145,615)	-	(8,161)	(153,776)
Mortgage	(13,839)	-	(5,717)	(19,556)
Agriculture	(436,236)	210	23,483	(412,543)
Marine	(40,362)	2,426	(16,544)	(54,480)
Aviation	(124,030)	34,910	(29,184)	(118,304)
Others	(375,707)	2,916	(34,833)	(407,624)
	(1,972,100)	**74,953**	**(388,532)**	**(2,285,679)**

	Consolidated			
	2015			
	Direct claims	Salvage and reimbursements	IBNR variation	Incurred claims
Property	(735,281)	2,631	(150,649)	(883,299)
Special risks	(114,508)	-	(25,644)	(140,152)
Casualty	(92,265)	6	6,254	(86,005)
Hull	170,224	33	(33,592)	136,665
Vehicle	(68,477)	192	2,044	(66,241)
Cargo	(71,478)	14,785	7,393	(49,300)
Financial risks	70,424	11,436	(120,909)	(39,049)
Credit	5,050	5,408	(2,473)	7,985
Life	(145,615)	-	(8,161)	(153,776)
Mortgage	(13,839)	-	(5,717)	(19,556)
Agriculture	(436,236)	210	23,483	(412,543)
Marine	(40,362)	2,426	(16,544)	(54,480)
Aviation	(124,030)	34,910	(29,184)	(118,304)
Others	(377,284)	2,916	(35,180)	(409,548)
	(1,973,677)	**74,953**	**(388,879)**	**(2,287,603)**

23.3 Acquisition costs

	Parent company and Consolidated	
	2016	2015
Property	(17,729)	(18,503)
Special risks	(12,927)	(13,874)
Casualty	(2,759)	(3,163)
Hull	(101)	(119)
Vehicle	(515)	(523)
Cargo	(5,626)	(5,183)
Financial risks	(710)	(833)
Life	(2,196)	(2,492)
Mortgage	(289)	(244)
Agriculture	(1,141)	(424)
Marine	(5,520)	(3,714)
Aviation	(4,826)	(4,653)
Others	(49,182)	(41,705)
	(103,521)	**(95,430)**

23.4 Results of retrocession

	Parent company and Consolidated	
	2016	2015
Revenue of retrocessions	**537,826**	**547,442**
Recovery of incurred claims	304,391	337,260
IBNR recovery	233,435	210,182
Expenses of retrocessions	**(1,260,402)**	**(1,289,209)**
Premium of retrocessions ceded	(1,386,168)	(1,345,865)
Commission on retrocessions ceded	96,605	90,537
Variation of the technical reserves - Premium ceded	30,265	(52,018)
Variation of the technical reserves - Comission ceded	(1,104)	18,137
Salvage and reimbursements to the retrocessionaire	**(43,255)**	**(54,388)**
Others results of retrocession	**13,696**	**3,845**
Total result of retrocession	**(752,135)**	**(792,310)**

23.4.1 Revenue of retrocessions

24.4.1 - Receitas com Retrocessões

	Parent company and Consolidated		
	2016		
	Recovery of incurred claims	IBNR variation	Recovery of ceded claims
Property	268,373	72,886	341,259
Special risks	(122,820)	(9,759)	(132,579)
Casualty	18,471	19,216	37,687
Hull	(31,358)	96,755	65,397
Vehicle	(4,059)	(1,052)	(5,111)
Cargo	43,719	(2,887)	40,832
Financial risks	(15,670)	(32,381)	(48,051)
Credit	(818)	235	(583)
Life	36,436	4,127	40,563
Mortgage	81	58	139
Agriculture	4,407	(15,971)	(11,564)
Marine	6,522	(6,271)	251
Aviation	81,239	102,718	183,957
Others	19,868	5,761	25,629
Total	**304,391**	**233,435**	**537,826**

	Parent company and Consolidated		
	2015		
	Recovery of incurred claims	IBNR variation	Recovery of ceded claims
Property	230,133	107,315	337,448
Special risks	86,636	18,913	105,549
Casualty	58,158	(6,632)	51,526
Hull	(171,276)	21,914	(149,362)
Vehicle	2,155	1,313	3,468
Cargo	22,628	(7,481)	15,147
Financial risks	(40,396)	72,681	32,285
Credit	(963)	3,634	2,671
Life	27,818	555	28,373
Mortgage	171	(402)	(231)
Agriculture	35,522	(30,365)	5,157
Marine	1,521	10,279	11,800
Aviation	69,366	19,220	88,586
Others	15,787	(762)	15,025
Total	**337,260**	**210,182**	**547,442**

23.4.2 Expenses of retrocessions

23.4.2 - Despesas com Retrocessões

	Parent company and Consolidated				
	2016				
	Premium of retrocessions ceded	Commission on retrocessions ceded	Variation of the technical reserves - Premium ceded	Variation of the technical reserves - Comission ceded	Premium ceded
Property	(635,739)	39,690	39,274	(2,915)	(559,690)
Special risks	(240,902)	11,115	(55,053)	5,416	(279,424)
Casualty	(85,854)	9,522	7,732	(605)	(69,205)
Hull	(204)	-	(249)	(1)	(454)
Vehicle	(5,522)	253	(100)	30	(5,339)
Cargo	(69,911)	8,363	(769)	(849)	(63,166)
Financial risks	(53,562)	7,267	3,080	685	(42,530)
Credit	1,209	(410)	2	(1)	800
Life	(57,636)	7,233	7,764	(646)	(43,285)
Mortgage	6	(2)	-	-	4
Agriculture	(36,026)	12,995	6,950	(2,416)	(18,497)
Marine	(34,739)	1,011	3,932	(501)	(30,297)
Aviation	(63,908)	1,006	(1,428)	223	(64,107)
Others	(103,380)	(1,438)	19,130	476	(85,212)
Total	**(1,386,168)**	**96,605**	**30,265**	**(1,104)**	**(1,260,402)**

	Parent company and Consolidated				
	2015				
	Premium of retrocessions ceded	Commission on retrocessions ceded	Variation of the technical reserves - Premium ceded	Variation of the technical reserves - Comission ceded	Premium ceded
Property	(654,126)	37,313	2,977	6,220	(607,616)
Special risks	(218,616)	9,801	(62,345)	8,309	(262,851)
Casualty	(57,236)	10,043	4,766	(2,026)	(44,453)
Hull	(970)	-	(235)	-	(1,205)
Vehicle	(6,507)	360	250	(16)	(5,913)
Cargo	(83,806)	10,853	13,760	(469)	(59,662)
Financial risks	(29,733)	7,399	(6,363)	676	(28,021)
Credit	569	(2)	(351)	1	217
Life	(54,855)	7,999	6,706	(336)	(40,486)
Mortgage	6	(2)	-	-	4
Agriculture	2,876	(1,661)	(42,868)	1,700	(39,953)
Marine	(47,803)	2,164	7,400	233	(38,006)
Aviation	(107,893)	2,715	18,089	2,251	(84,838)
Others	(87,771)	3,555	6,196	1,594	(76,426)
Total	**(1,345,865)**	**90,537**	**(52,018)**	**18,137**	**(1,289,209)**

23.5 Other operating revenue and expenses

	Parent company		Consolidated	
	2016	2015	2016	2015
Share in operating results - reinsurance and retrocession	(28,320)	(43,418)	(28,320)	(43,418)
Recovery of Agricultural Insurance Stability Fund (*)	59	71,620	59	71,620
Reversal (constitution) of reserve for credit risks	59,742	2,301	59,742	2,301
Recovery (loss) of other reinsurance revenue	1,245	1,242	1,245	1,242
Expenses with risk inspection	(2,622)	(2,440)	(2,622)	(2,440)
Judicial damages	(737)	(11,636)	(737)	(11,636)
Other operating revenue and expenses	(8,538)	(8,452)	(6,757)	(5,700)
	20,829	**9,217**	**22,610**	**11,969**

(*) Up to 2014, IRB Brasil RE, as a participant of the Rural Insurance Stability Fund (FESR), had a protection for the agricultural segment through its participation in FESR. Therefore, the Company had an obligation to the fund, referring to the assumption of risks on behalf of the reinsurer. In 2015, the Company opted for protection directly with its retrocession contracts, and did not participate in the Fund.

23.6 Administrative expenses

	Parent company		Consolidated	
	2016	2015	2016	2015
Own staff	(127,857)	(104,461)	(146,783)	(127,461)
Reversal of post-employment benefits	(1,587)	(30,184)	(1,587)	(30,184)
Third-party services	(37,458)	(41,212)	(38,154)	(41,212)
Location and operation	(45,035)	(36,693)	(48,889)	(36,693)
Advertising and marketing	(11,630)	(13,128)	(11,630)	(13,128)
Judicial expenses	(237)	(522)	(237)	(522)
Fines	(102)	(366)	(102)	(366)
Other expenses	(12,630)	(12,220)	(13,425)	(17,039)
	(236,536)	**(238,786)**	**(260,807)**	**(266,605)**

23.7 Tax expenses

	Parent company		Consolidated	
	2016	2015	2016	2015
COFINS	(78,435)	(57,419)	(79,575)	(57,419)
PIS/PASEP	(13,685)	(10,400)	(13,932)	(10,400)
Tax reserves - net	(2,112)	(3,344)	(2,112)	(3,344)
SUSEP inspection fees	(2,353)	(2,021)	(2,353)	(2,021)
Property taxes	(11,187)	(2,347)	(11,187)	(2,347)
Taxes and contributions with branches abroad	(16,256)	(25,028)	(16,256)	(25,028)
Others	(10,125)	(10,459)	(10,125)	(10,459)
	(134,153)	**(111,018)**	**(135,540)**	**(111,018)**

23.8 Financial results

	Parent company		Consolidated	
	2016	2015	2016	2015
Marketable securities	528,378	1,035,211	525,553	1,036,520
Fair value through profit or loss	(38,808)	284,219	(38,357)	284,846
Available for sale	536,022	690,524	532,746	691,206
Held to maturity	31,164	60,468	31,164	60,468
Reinsurance operartions	128,905	(348,531)	128,905	(348,531)
Exchange variation on bank accounts	(32,629)	20,507	(32,629)	20,507
Monetary update and other financial charges	159,186	1,775	159,186	1,775
Interest	(145)	(897)	(145)	(897)
Others	33,043	90,049	37,553	90,049
	816,738	**798,114**	**818,423**	**799,423**

	Parent company		Consolidated	
Financial revenue	2016	2015	2016	2015
Valuation of investment fund quotas	54,919	69,089	55,370	69,103
Fixed-income securities - private	152,267	320,284	152,267	320,284
Fixed-income securities - public	547,982	682,221	547,982	682,221
Reinsurance operartions	150,886	120,750	150,886	120,750
Exchange variation on bank accounts	3,277	21,047	3,277	21,047
Monetary update and other financial charges	264,254	91,863	264,254	91,863
Interest	578	220	578	220
Others	77,111	90,210	77,670	90,210
	1,251,274	**1,395,684**	**1,252,284**	**1,395,698**

	Parent company		Consolidated	
Financial costs	2016	2015	2016	2015
Devaluation of investment fund quotas and of private and public securities	(226,790)	(36,383)	(230,066)	(35,088)
Reinsurance operartions	(21,981)	(469,281)	(21,981)	(469,281)
Exchange variation on bank accounts	(35,906)	(540)	(35,906)	(540)
Monetary update and other financial charges	(105,068)	(90,088)	(105,068)	(90,088)
Interest	(723)	(1,117)	(723)	(1,117)
Others	(44,068)	(161)	(40,117)	(161)
	(434,536)	**(597,570)**	**(433,861)**	**(596,275)**

23.9 Equity result

	Parent company		Consolidated	
	2016	2015	2016	2015
Direct operating income arising from property for investment	16,681	43,368	64,963	43,368
Direct operating expenses arising from property for investment	(1,951)	(5,163)	(1,951)	(5,163)
Equity in results of subsidiaries	16,331	(23,466)	15,117	(23,466)
Reserve for impairment of investment	39,321	(2,798)	-	-
Other operating income	1,179	710	2,393	711
Other operating expenses	(332)	-	(679)	-
	71,229	**12,651**	**79,843**	**15,450**

23.10 Income tax and social contribution

(a) Reconciliation of income tax and social contribution

	Parent company			
	2016		2015	
	IRPJ	CSLL	IRPJ	CSLL
Profit before reserve for IRPJ/CSLL and profit sharing	1,238,091	1,238,091	1,019,891	1,019,891
Effective nominal rate	25.0%	20.0%	25.0%	20.0%
IRPJ and CSLL at nominal rate	(309,523)	(247,618)	(254,973)	(203,978)
Permanent additions and exclusions:				
Maternity leave allowance	(48)	(38)	-	-
Managers' compensation	(120)	(96)	1,116	893
Interest on capital	60,652	48,521	44,000	35,200
Tax incentives	(2,321)	(1,857)	5,832	(1,726)
Income tax deduction – incentives/adjustments	7,752	-	-	-
Charges for depreciation and amortization	(280)	(224)	-	-
Losses on operations carried out abroad	(97)	(78)	-	-
Others additions and exclusions	(1,002)	(730)	2,064	64,400
Investments	19,744	15,795	8,510	6,808
Provision for loss (healf plan pre 68)	1,416	(3,898)	(2,804)	390
Agriculture insurance	-	-	38,096	-
Reversal for tax (IRPJ) contingencies (Note 20.3.2)	25,833	-	-	-
IR and CS in the statement of income	**(197,994)**	**(190,223)**	**(158,160)**	**(98,013)**
Current	(135,008)	(139,182)	(167,047)	(142,058)
Deferred	(62,986)	(51,041)	8,887	44,045

	Consolidated			
	2016		2015	
	IRPJ	CSLL	IRPJ	CSLL
Profit before reserve for IRPJ/CSLL and profit sharing	1,241,413	1,241,413	1,020,008	1,020,008
Effective nominal rate	25.0%	20.0%	25.0%	20.0%
IRPJ and CSLL at nominal rate	(310,353)	(248,283)	(255,002)	(204,002)
Permanent additions and exclusions:				
Maternity leave allowance	(48)	(38)	-	-
Managers' compensation	(120)	(96)	1,116	893
Interest on capital	60,652	48,521	44,000	35,200
Tax incentives	(2,321)	(1,857)	5,832	(1,726)
Income tax deduction – incentives/adjustments	7,752	-	-	-
Charges for depreciation and amortization	(280)	(224)	-	-
Losses on operations carried out abroad	(97)	(78)	-	-
Others additions and exclusions	(2,566)	(993)	1,976	64,424
Investments	19,744	15,795	8,510	6,808
Provision for loss (healf plan pre 68)	1,416	(3,898)	(2,804)	390
Agriculture insurance	-	-	38,095	-
Reversal for tax (IRPJ) contingencies (Note 20.3.2)	25,833	-	-	-
IR and CS in the statement of income	**(200,388)**	**(191,151)**	**(158,277)**	**(98,013)**
Current	(137,402)	(140,110)	(167,164)	(142,058)
Deferred	(62,986)	(51,041)	8,887	44,045

Law 13,169/2015

On October 6, 2015, the Provisional Measure No. 675 was converted into Law 13,169, whereby the CSLL rate was increased for financial institutions and those considered as such, as defined in Article 22, paragraph 1, of Law 8,212/1991, namely, credit, financing and investment companies, real estate credit companies, brokerage firms, securities dealers, leasing companies, credit unions, private insurance and capitalization companies, self-employed credit and insurance agents, and open and closed pension fund entities.

Therefore, the CSLL rate increased from 15.0% to 20.0%, for the period from September 1, 2015 to December 31, 2018. As from January 1, 2019 the rate will return to the rate of 15.0%.

(b) Changes in the deferred IRPJ and CSLL accounts

	Parent company and Consolidated					
	At December 31, 2015	Addition	Write-off	Recognized in the results	Recognized in comprehensive income	At December 31, 2016
Deferred tax assets						
Labor provision	130,740	39,509	(2,494)	37,015	-	167,755
Provision for devaluation of the investment	109,256	-	(12,073)	(12,073)	-	97,183
Provision for impairment of trade receivables	135,969	-	(52,605)	(52,605)	-	83,364
Provision for tax and social security contingencies	72,886	6,581	(21,349)	(14,768)	-	58,118
Market value adjustment - securities available-for-sale	72,769	-	(39,277)	-	(39,277)	33,492
Actuarial gains or losses - post-employment benefits	(33,382)	9,364	-	(15,154)	24,518	(24,018)
Provision for labor contingencies	21,684	2,957	(2,031)	926	-	22,610
Market value adjustment - investment	18,847	-	(37,254)	(37,254)	-	(18,407)
Other provision	4,328	-	(60)	(60)	-	4,268
Total deferred tax assets	**533,097**	**58,411**	**(167,143)**	**(93,973)**	**(14,759)**	**424,365**

	At December 31, 2015	Addition	Write-off	Recognized in the results	Recognized in comprehensive income	At December 31, 2016
Deferred tax liabilities						
Updated judicial deposits	(52,406)	(20,054)	-	(20,054)	-	(72,460)
Total deferred tax liabilities	**(52,406)**	**(20,054)**	**-**	**(20,054)**	**-**	**(72,460)**
Total net	**480,691**	**38,357**	**(167,143)**	**(114,027)**	**(14,759)**	**351,907**

24 Retirement and pension plans and other benefits to employees

The Company sponsors the Social Security Foundation of the Employees of the Institute of Reinsurance of Brazil ("PREVIRB"), which ensures to its participants and their dependents benefits complementary to the basic official social security. The plans offered are of defined benefit (closed) and of variable contribution (open) types, with the capitalization regime being adopted on actuarial evaluations for retirement income.

The contribution made by the Company to PREVIRB in 2016, including the pre-68 plan (benefits paid to employees hired up to December 31, 1968) amounted to R$ 24,904 (R$ 20,066 at December 31, 2015).

Also, the Company offers the following benefits:

a. Full funding of supplementary retirement and death benefits for employees hired up to December 31, 1968; supplementary retirement improvement for civil servants retired up to February 28, 1975 and pension improvement for beneficiaries of civil servants deceased up to February 28, 1975.

b. Health plan under a self-management scheme for active and retired employees. For employees hired up to 2004, their dependents may include spouses, children and parents who earn less than one minimum wage per month. For employees hired as from that year, their dependents may include only their spouses and children. For this group, IRB Brasil RE bears 50% of the cost of the plan and employees bear the other portion equivalent to the remaining 50%. The employee's contribution is deducted monthly from their salary and varies depending on the hiring date and age.

c. Funeral grant for employees hired up to October 31, 1996. The benefit is limited to R$ 1,344.87 for basic funeral costs, R$ 1,554.63 for cremation and R$ 2,640.80 for funeral costs and cremation.

d. Health insurance for employees hired up to 1998. For these employees IRB Brasil RE bears 100% of the insurance premium and for employees hired after that year it bears 50% of the insurance premium. In such a case, the employee’s sharing of the costs of the health insurance is optional.

Based on the projected unit credit method, actuarial valuations of the plan assets and the present value of the obligation related to the benefits offered were carried out recently. The valuations for 2016 and 2015 were carried out by IRB Brasil RE’s actuaries, Debora Pereira Tavares, Member of the Brazilian Actuarial Institute (MIBA) No. 2011 and Fernanda Pinheiro Gomes, MIBA No. 1894.

The main actuarial assumptions used were as follows:

	Post-employment benefits plan managed by PREVIRB		Post-employment benefits plan managed by IRB	
Economic hypothesis	**2016**	**2015**	**2016**	**2015**
Discount real rate (*)	6.0%	7.5%	6.0%	7.5%
Nominal rate of expected return of the assets	INPC + 6% p.a.	INPC + 8% p.a.	INPC + 6% p.a.	INPC + 8% p.a.
Salary real growth projection	Not applicable	Not applicable	Not applicable	Not applicable
Real growth projection of the highest salary of INSS benefit	Zero	Zero	Not applicable	Not applicable
Real growth projection of the plan's benefits	Zero	Zero	Not applicable	Not applicable
Future generations of new entrants hypothesis	Not adopted	Not adopted	Not applicable	Not applicable
Turnover hypothesis	Plan A: Not adopted Plan B: 1.3% up to 60 years	Plan A: Not adopted Plan B: 1.3% up to 60 years	Health Care: 1.25% up to 60 years Others Plans: Not applicable	Health Care: 1.25% up to 60 years Others Plans: Not applicable
Factors to determine the real value over time, benefits INSS and of the plan	Not adopted	Not adopted	Not applicable	Not applicable
Demographic hypothesis				
Survival table	BR-EMSsb (Segregated by sex)	AT-2000 reduced by 10.0%	BR-EMSsb (Segregated by sex)	AT-2000 reduced by 10.0%
Disability entries table	MI 85	MI 85	MI 85	MI 85
Disability entries table	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS

(*) The discount rate was determined according to CVM instruction 695, based on the rate of the federal public securities (NTN-B) with the indexes and terms expected from of post-employment benefit obligations.

Variable contribution plans

The Company is the sponsor of Social Security Plan B (a variable contribution plan) as from 2004. The assets of the plan are held separately from those maintained by the Company in funds managed by trustees.

The contributions paid by the Company during the year, at the rates specified by the plan's rules, amounted to R$ 4,958 (R$ 4,475 at December 31, 2015).

In the actuarial evaluation made by IRB Brasil RE's actuaries, a technical surplus of R$ 37,871 (R$ 20,645 at December 31, 2015) was found in PREVIRB that, in line with the accounting practices adopted in Brazil, was not accounted for by the sponsor.

The amounts determined in profit or loss in December 2016 and the projected amounts for the year from January to December 2017 are as follows:

	2017	2016
Present value of the actuarial liabilities at the beginning of the year	53,831	51,644
Cost of current services	103	338
Interest cost	1,842	4,446
Actuarial loss (gain)	13,896	5,750
Benefits paid	(4,019)	(8,347)
Present value of the actuarial liabilities	**65,653**	**53,831**

The change in the fair value of the Plan B assets in the current year is as follows:

	2016	2015
Opening fair value of the plan's assets	74,475	68,460
Return on investments	9,997	6,324
Employer's contributions	4,958	4,475
Plan participants' contributions	4,958	4,475
Benefits paid	(4,019)	(8,347)
Earnings on assets	13,155	(912)
Closing fair value of the plan's assets	**103,524**	**74,475**

The historical adjustments based on experience are as follows:

	2016	2015
Present value of the defined benefit liabilities funded	(65,653)	(53,831)
Fair value of the plan's assets	103,524	74,475
Financial position	37,871	20,644
Effect of assets	(37,871)	(20,644)
Net assets arising from the defined benefits liabilities	**-**	**-**

Defined benefit plans

The Company grants defined benefit retirement plans (Benefits Plan A and pre-68 Plan) for the employees who qualify. According to this plan, the employees are entitled to compensation calculated based on the monthly stipend, calculated on the date of their retirement.

Plan A

The contributions' amount paid by the Company, in the current year, at rates specified by this plan's rules, was R$ 18 (R$ 55 at December 31, 2015).

A technical surplus of R$ 612,656 at December 31, 2016 (R$ 692,912 at December 31, 2015) was determined, which, in line with accounting practices adopted in Brazil, was not recorded by the sponsor.

The amounts determined in profit or loss in December 2016 and the projected amounts for the year from January to December 2017 are as follows:

	2017	2016
Interest cost	149,884	125,006
Interest on the plan's assets	(229,657)	(225,091)
Expected amount of employees' contributions	(81)	(62)
Revenue at the end of the year	**(79,855)**	**(100,147)**

The amount recognized in the balance sheet arising from the Company's obligations relating to this defined benefit plan is as follows:

	2016	2015
Present value of the defined benefit liabilities funded	(1,326,918)	(983,964)
Fair value of the plan's assets	1,939,573	1,676,876
Net assets arising from the defined benefits liabilities	**612,655**	**692,912**

The change in the fair value of the Plan B assets in the current year is as follows:

	2016	2015
Present value of the actuarial liabilities at the beginning of the year	983,964	1,303,641
Cost of current services	-	167
Interest cost	125,006	109,040
Actuarial loss (gain)	321,185	(334,234)
Benefits paid	(103,238)	(94,650)
Present value of the actuarial liabilities	**1,326,917**	**983,964**

The resources to ensure the PREVIRB's reserves of Plan A are as follows:

	2016	2015
Cash and cash equivalents	150	116
Realizable investments		
Public securities	1,274,923	1,208,647
Private credits and deposits	442,609	380,379
Shares	31,093	26,626
Investment funds	108,967	92,625
Real estate investments	87,264	87,747
Borrowings and financing	5,604	4,707
	1,950,610	**1,800,847**
Operating liability investments		
Borrowings and financing	-	(91)
Others liabilities (IOF) / Rent and Income	(5)	(5)
	(5)	**(96)**
Investment contingency liabilities	**(23,449)**	**(22,509)**
Guaranteeing funds	**1,927,156**	**1,778,242**

The change in the fair value of the Plan A assets in the current year is as follows:

	2016	2015
Opening fair value of the plan's assets	1,676,876	1,631,218
Return on investments	229,657	137,641
Employer's contributions	18	55
Plan participants' contributions	79	2,545
Benefits paid	(103,238)	(94,650)
Earnings on assets	136,181	67
Closing fair value of the plan's assets	**1,939,573**	**1,676,876**

The expected return on Plan A assets at December 31, 2016 was R$ 229,657 (R$ 137,641 at December 31, 2015).

The historical adjustments based on experience are as follows:

	2016	2015
Present value of the defined benefit liabilities	(1,326,917)	(983,964)
Fair value of the plan's assets	1,939,573	1,676,876
Surplus	**612,656**	**692,912**

Pre-68

The Company fully funds supplementary retirement and death benefits for employees hired up to December 31, 1968, supplementary retirement improvement benefits for civil servants who retired up to February 28, 1975, and pension improvement benefits for beneficiaries of civil servants deceased up to February 28, 1975.

The Company has a technical provision for liabilities related to the above mentioned benefits, covering 261 members at December 31, 2016 (285 at December 31, 2015), including 248 retirees and 12 pensioners, with an average age of 83.34 years (82.84 years at December 31, 2015).

Total expenses incurred by the Company for the Plan amounted to R$ 19,927 (R$ 15,536 at December 2015) and refers to benefits paid by the Company to participants/beneficiaries, according to the regulations of the plan.

In this actuarial valuation, the accrued balance was R$ 142,609 (R$ 119,778 at December 31, 2015), in line with accounting practices adopted in Brazil.

It should be noted that the fair value of assets is based on the Agreement entered into between IRB Brasil RE and PREVIRB in December 2015, for migrating the operations related to the payments of social security benefits under the Pre-68 Plan. This amount may be reviewed by the parties periodically.

The amount of the Debt Agreement was restated, reaching R$ 175,694 (R$ 170,443 at December 31, 2015).

Considering that this group of participants is enrolled in Plan A of the Foundation, the results of the Pre-68 Plan could be included in the results of Plan A; however, in this Note, they will be presented on an itemized basis only to facilitate the understanding of the process.

The amounts recognized in profit or loss in December 2016, and the amounts projected for the year from January to December 2017, referring to the Pre-68 Plan, are presented below:

	2017	2016
Interest cost	21,759	14,855
Expense at the end of the year	**21,759**	**14,855**

The amount recognized in the balance sheet arising from the Company's obligations relating to this defined benefit plan is as follows:

	2016	2015
Present value of the defined benefit liabilities funded	(142,609)	(119,778)
Fair value of the plan's assets	175,694	170,443
Net assets arising from the defined benefits liabilities	**33,085**	**50,665**

The change in the fair value of the Plan Pre-68 liability in the current year is as follows:

	2016	2015
Present value of the actuarial liabilities at the beginning of the year	119,778	147,906
Interest cost	14,855	13,457
Actuarial loss (gain)	27,903	(26,049)
Benefits paid	(19,927)	(15,536)
Present value of the actuarial liabilities	**142,609**	**119,778**

The change in the fair value of the Plan Pre-68 assets in the current year is as follows:

	2016	2015
Opening fair value of the plan's assets	170,443	-
Employer's contributions	25,178	185,979
Benefits paid	(19,927)	(15,536)
Closing fair value of the plan's assets	**175,694**	**170,443**

The historical adjustments based on experience are as follows:

	2016	2015
Present value of the defined benefit liabilities funded	(142,609)	(119,778)
Fair value of the plan's assets	175,694	170,443
Surplus	**33,085**	**50,665**

According to CPC33, the sensitivity analysis of the management in relation to the financial and actuarial assumptions considered critical is as follows:

Sensitivity in the discount rate

PLAN A	**Effective rate**	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	1,463,730	1,392,420	1,210,690	1,159,002
	Impact of the main scenario	136,811	65,502	(116,229)	(167,916)

PLAN B	**Effective rate**	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	68,183	66,856	63,563	62,652
	Impact of the main scenario	2,530	1,203	(2,090)	(3,002)

PRE 68	**Effective rate**	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	154,752	149,630	135,918	131,833
	Impact of the main scenario	12,143	7,021	(6,691)	(10,776)

(*) Considers inflation.

Sensitivity in the mortality table – AT-2000 (Reduced by 10%)

PLAN A	**Effective rate**	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	1,417,236	1,350,650	1,179,743	1,130,883
	Impact of the main scenario	90,318	23,732	(147,176)	(196,036)
PLAN B	**Effective rate**	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	67,571	66,313	63,178	62,307
	Impact of the main scenario	1,918	660	(2,475)	(3,346)
PRE 68	**Effective rate**	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	147,099	142,461	129,989	126,257
	Impact of the main scenario	4,490	(148)	(12,620)	(16,352)

(*) Considers inflation.

24.1 Other employee benefits

	2016	2015
Current		
Additional to retirement and pensions	19,928	20,431
Health and dental assistance	12,178	13,789
Health and dental assistance - Provision for events incurred but not reported	422	1,131
Group life insurance	159	130
Funeral assistance	84	101
	32,771	**35,582**
Non-current		
Complementation of retirement and pensions	155,766	150,012
Health and dental assistance	190,615	176,787
Group life insurance	1,163	839
Funeral assistance	1,380	1,259
	348,924	**328,897**

The Company also offers the following benefits assistance:

Health and dental assistance

The amounts recognized in profit or loss at December 2016, and the amounts projected for the year from January to December 2017, referring to the Healthcare Plan, are presented below:

	2017	2016
Cost of current services	423	425
Interest cost	22,027	25,736
Expected amount of employees' contributions	(5,059)	-
Revenue at the end of the year	**17,391**	**26,161**

The amount recognized in the balance sheet arising from the Company's obligations relating to this

plan is as follows:

	2016	2015
Present value of the defined benefit liabilities funded	(202,793)	(190,576)
Net assets arising from the defined benefits liabilities	**(202,793)**	**(190,576)**

The change in the fair value of the Healthcare Plan liability in the current year is as follows:

	2016	2015
Present value of the actuarial liabilities at the beginning of the year	190,576	225,356
Cost of current services	425	828
Interest cost	25,737	21,345
Actuarial loss (gain)	6,905	(35,851)
Benefits paid	(20,850)	(21,102)
Present value of the actuarial liabilities	**202,793**	**190,576**

The change in the fair value of the Healthcare Plan in the current year is as follows:

	2016	2015
Employer's contributions	16,032	17,346
Plan participants' contributions	4,818	3,756
Benefits paid	(20,850)	(21,102)
Closing fair value of the plan's assets	**-**	**-**

The historical adjustments based on experience are as follows:

	2016	2015
Present value of the defined benefit liabilities	(202,793)	(190,576)
Surplus	**(202,793)**	**(190,576)**

According to CPC33, the sensitivity analysis of the management in relation to the financial and actuarial assumptions considered critical is as follows:

Sensitivity in the discount rate

PCAM	Effective rate	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	227,579	214,600	182,169	173,135
	Impact of the main scenario	24,787	11,808	(20,624)	(29,657)

(*) Considers inflation.

Sensitivity in the mortality table – AT-2000 (Reduced by 10%)

PCAM	Effective rate	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	211,682	200,085	170,943	162,780
	Impact of the main scenario	8,890	(2,707)	(31,849)	(40,012)

(*) Considers inflation.

Funeral assistance

The amounts recorded in profit or loss at December 2016 and the projected amounts for the year from January to December 2017 related to the Funeral Grant are as follows:

	2017	2016
Interest cost	179	175
Expense at the end of the year	**179**	**175**

The amount recognized in the balance sheet arising from the Company's obligations related to this plan (Funeral Grant) is as follows:

	2016	2015
Present value of the defined benefit liabilities	(1,464)	(1,360)
Net assets arising from the defined benefits liabilities	**(1,464)**	**(1,360)**

Changes in the fair value of the obligation related to the Funeral Grant in current year is as follows:

	2016	2015
Present value of the actuarial liabilities at the beginning of the year	1,360	1,733
Interest cost	175	164
Actuarial loss (gain)	(36)	(478)
Benefits paid	(35)	(59)
Present value of the actuarial liabilities	**1,464**	**1,360**

Changes in the fair value of the assets of the Funeral Grant in the current year is as follows:

	2016	2015
Employer's contributions	35	59
Benefits paid	(35)	(59)
Closing fair value of the plan's assets	**-**	**-**

The historical adjustments based on experience are as follows:

	2016	2015
Present value of the defined benefit liabilities	(1,464)	(1,360)
Surplus	**(1,464)**	**(1,360)**

According to CPC33, the sensitivity analysis of the management in relation to the financial and actuarial assumptions considered critical is as follows:

Sensitivity in the discount rate

Funeral assistan	**Effective rate**	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	1,669	1,561	1,299	1,228
	Impact of the main scenario	204	96	(166)	(237)

(*) Considers inflation.

Sensitivity in the mortality table – AT-2000 (Reduced by 10%)

Funeral assistan	**Effective rate**	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	1,758	1,651	1,388	1,316
	Impact of the main scenario	293	186	(77)	(149)

(*) Considers inflation.

Group life insurance

The amounts recorded in profit or loss at December 2016 and the projected amounts for the year from January to December 2017 related to Life Insurance are as follows:

	2017	2016
Interest cost	146	121
Expense at the end of the year	**146**	**121**

The amount recognized in the balance sheet arising from the Company's obligations related to this plan (Life Insurance) is as follows:

	2016	2015
Present value of the defined benefit liabilities	(1,322)	(969)
Net assets arising from the defined benefits liabilities	**(1,322)**	**(969)**

Changes in the fair value of the obligation related to Life Insurance in the current year is as follows:

	2016	2015
Present value of the actuarial liabilities at the beginning of the year	969	1,347
Interest cost	121	123
Actuarial loss (gain)	406	(364)
Benefits paid	(174)	(137)
Present value of the actuarial liabilities	**1,322**	**969**

Changes in the fair value of the assets of the Life Insurance in the current year is as follows:

	2016	2015
Employer's contributions	174	137
Benefits paid	(174)	(137)
Closing fair value of the plan's assets	**-**	**-**

The historical adjustments based on experience are as follows:

	2016	2015
Present value of the defined benefit liabilities	(1,322)	(969)
Surplus	**(1,322)**	**(969)**

According to CPC33, the sensitivity analysis of the management in relation to the financial and actuarial assumptions considered critical is as follows:

Sensitivity in the discount rate

Life insurance	**Effective rate**	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	1,432	1,381	1,246	1,206
	Impact of the main scenario	111	60	(76)	(116)

(*) Considers inflation.

Sensitivity in the mortality table – AT-2000 (Reduced by 10%)

Life insurance	**Effective rate**	5.0%	5.5%	7.0%	7.5%
	Nominal rate (*)	10.8%	11.3%	12.9%	13.4%
	Liability of defined benefit	1,371	1,323	1,198	1,160
	Impact of the main scenario	49	2	(124)	(161)

(*) Considers inflation.

Section F – Accounting policies

25 Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented, unless otherwise stated.

25.1 Foreign currency translation

(a) Functional and presentation currency

The items included in the Reinsurer's Parent Company and consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Brazilian reais (R$), which is the Company's functional currency.

(b) Transactions and balances

In the preparation of the Parent Company and consolidated financial statements, foreign currency transactions, i.e. transactions in any other currency but the Company's functional currency, are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each year, monetary items in foreign currency are translated again using the exchange rates prevailing at the end of the year. Non-monetary items recorded at fair value determined in foreign currency are translated again using the rates on the date that the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate on the transaction date.

For the purposes of the presentation of the Parent Company and consolidated financial statements, the assets and liabilities of the Company's operations abroad are translated into Brazilian reais, using the rates prevailing at the end of the year. The results are translated using the year's average exchange rates, unless these rates have significantly floated during the year; in this case, the rate prevailing at the transaction date is used. The exchange variation arising from these translations, if any, is classified under comprehensive results and accumulated in equity.

(c) Subsidiaries with different functional currencies

The results and financial positions of all the consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

(ii) Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the transaction dates).

(iii) All resulting exchange differences are recognized as a separate component of equity, in the account "Carrying value adjustments".

25.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with banks with immaterial risk of change in value. The balance is presented net of bank overdrafts in the statement of cash flows, when applicable. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

25.3 Financial assets

25.3.1 Classification

The Company classifies its financial assets, upon initial recognition, in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets are acquired.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. All financial assets in this category are classified as current assets.

Derivatives are also categorized as held for trading unless they are designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The loans and receivables, including the credits and debits of reinsurance and retrocession operations receivable, judicial and fiscal deposits and others, are measured at amortized cost, using the effective interest rate method, less any loss for impairment. They are included in current assets, except for those with maturities more than 12 months after the end of the reporting period, which are classified as non-current assets.

Installment premiums are recorded as premiums receivable in current assets, and written off as installments are paid.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the previous categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

(d) Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the intention and capacity to hold to maturity.

25.3.2 Recognition and measurement

Normal purchases and sales of financial assets are typically recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred

and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of income within "Finance income and costs" in the year in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analyzed on the basis of translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity.

When securities classified as available for sale are sold or become impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income as "Finance income and costs".

Interest on available-for-sale securities is calculated using the effective interest rate method and is recognized in the statement of income as part of other income.

Dividends on financial assets carried at fair value through profit or loss and available-for-sale equity instruments, such as shares, are recognized in the statement of income as part of other income when the Company's right to receive dividends is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

25.3.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

25.3.4 Impairment of financial assets

(a) Assets carried at amortized cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that a lender would not otherwise consider;

(iv) likelihood of the borrower entering bankruptcy or other financial reorganization;

(v) disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets compared with the initial recognition of those assets, even if the decrease cannot yet be identified with the individual financial assets in the portfolio, including national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the loss previously recorded is recognized in the statement of income.

(b) Assets classified as available for sale

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of investments in equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the statement of income. Impairment losses on equity instruments recognized in the statement of income are not reversed through the statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of income.

25.4 Classification of reinsurance agreements

The Reinsurer's agreements are classified, at the beginning of the risk coverage, for the purposes of accounting, as reinsurance agreements. A contract is classified as a reinsurance agreement and maintains this classification until all the related rights and obligations are extinguished or expired. A reinsurance agreement is a contract under which the reinsurer accepts a significant insurance risk from another party (reinsurer or insurer), agreeing to indemnify the other party if a specific future and uncertain insured event, adversely affects the other party.

Accordingly, a reinsurance agreement is classified as an insurance contract, since it is defined as a transaction in which the reinsurer accepts a significant insurance risk from another party, agreeing to indemnify the other party in the case the latter is adversely affected by a specific future and uncertain insured event.

25.5 Intangible assets

(a) Intangible assets separately acquired

Defined useful life intangible assets are recorded at cost, less amortization and accumulated losses for impairment. The amortization is recognized on the straight-line basis method on the asset's estimated useful life. The estimated useful life and the amortization method are reviewed at the end of each year and the effect of any changes in the estimates is prospectively accounted for. Undefined useful life intangible assets that are acquired separately are recorded at cost, less accumulated losses for impairment, and are not amortized.

(b) Write-off of intangible assets

An intangible asset is written off when sold or when there is no future economic benefit arising from its use or sale. The gains or losses arising from the write-off of an intangible asset, measured as the difference between net revenue from the sale and the asset's carrying value, are recognized in the result when the asset is written off.

25.6 Property and equipment

Property and equipment for own use

Property and equipment for own use comprise real estate for own use, equipment, furniture, machinery and fixtures, and vehicles used in the Reinsurer's business operations. Property and equipment for own use is usually stated at historical cost. Real estate for own use (land and buildings) is stated at historical cost re-evaluated on December 31, 2004 based on the opinions of independent experts. In accordance with the CPC (R1), no new reassessments were carried out.

The historical cost of property and equipment comprises expenditure that is directly attributable to the acquisition of the capitalized items and to maintain them in usable condition.

Subsequent expenditure is included in the carrying value of the property and equipment or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated to the asset will flow to the Reinsurer and the asset's cost may be reliably reevaluated.

Land is not depreciated. The depreciation of other assets is calculated using the straight-line method to allocate their costs to their residual values during the estimated useful life, as follows:

	Depreciation rate (p.a) - %	Years
Buildings	4.0	25
Furniture and utensils	10.0	10
Computer equipment	20.0	5
Vehicles	20.0	5

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. The carrying value of an item of property and equipment is immediately written off on a full or partial basis if the asset's recoverable value is lower than its carrying value.

25.7 Real estate properties for investment

The Reinsurer owns 100% of the controlling interest of IRB Investimentos e Participações Imobiliárias S.A., which owns certain commercial properties, which are leased to third parties under contracts classified as operating lease contracts, according to CPC 06 (R1). The Reinsurer uses the depreciated cost model (cost method according to CPC 28) to assess such assets.

Real estate assets for investment of its subsidiary are depreciated using the straight-line method, based on the estimated useful life of the asset. The majority of rental agreements have a three-year renewal option, and the rental prices are readjusted by the Market General Price Index (IGP-M)/FGV.

25.8 Impairment of non-financial assets

Non-financial assets (including intangible assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the result for the year as the difference between the carrying value and the recoverable value. The recoverable amount is defined by the CPC as the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which the Reinsurer is able to identify individual cash flows generated by the assets, defined as cash-generating units.

25.9 Reserves

(a) Technical reserves

- The unearned premium reserve for risks in force issued (PPNG-RVE) includes the part of the premiums issued in the period corresponding to the risks not arising from the agreements. Its objective is to cover future costs, among them, claims that will be paid by IRB Brasil RE and it is operationally determined according to the expected exposure for each agreement. To complement this reserve, the unearned premium reserve for risk in force not issued is constituted, calculated based on actuarial estimates of the risks in force agreements for which have not been issued yet, and this amount is determined based on the actuarial methodology described in actuarial technical note.

- The claims outstanding reserve (PSL) is constituted by the estimate of the amount to indemnify indicated in the loss reports received from the reinsurers and insurers and it is periodically adjusted based on the analyses carried out by the operation and the legal areas. The claims outstanding reserve also reflects incurred but not sufficiently reported claims, described below.

- The reserve for incurred but not sufficiently reported claims (IBNER), which relates to the local and overseas operations, is made up based on actuarial assumptions defined in the technical note and/or independent actuarial reports, for coverage of the reported claims outstanding, at the calculation base date, the amounts of which may be changed during the process up to final settlement at the calculation base date.

- The incurred but not reported claims reserve (IBNR), which relates to local and overseas operations, is made up based on actuarial assumptions defined in the technical note and/or independent actuarial reports.

- The technical surplus reserve is made up to ensure the amounts for the distribution of surplus arising from technical surplus in the agreements operations.

- The related expenses reserve (PDR) relates to the expenses of settling claims and the coverage complementary reserve (PCC), which is made up when the Company's total liabilities are considered insufficient in the liabilities adequacy test (LAT).

(b) Liability adequacy test - LAT

The LAT is an economic test of the amount accounted for in the Company's liabilities and its objective is to capture possible deficiencies in the amounts of the liabilities arising from reinsurance agreements, in line with the requirements of CPC 11.

In order to carry out the test, current estimates of gross retrocession cash flows must be compared with the sum of the book balance of technical reserves on the calculation base date, less the deferred acquisition costs and intangible assets directly related to the technical reserves. If insufficiency is observed, it must be recognized in the PCC.

Cash flows are separated in groups of lines, according to their similarities, considering whether the agreements are in local or foreign currency, observing the divisions between registered and future premiums and past and future claims.

To determine the present value of the estimated cash flows, the financial discount obtained through the Svensson model for the fixed IPCA coupon curves and foreign exchange coupon was used.

The Svensson model is usually used in the economic market to estimate interest curves. This model represents an extrapolation of the Nelson and Siegel model plus a new exponential component to the forward rates, considering two additional parameters.

The test carried out for December 31, 2016 presented no insufficiency.

IRB Brasil RE periodically reviews its loss ratio, combined index and liability adequacy test in order to maintain the technical actuarial balance of its agreements.

(c) Judicial reserves, contingent assets and liabilities

Legal reserves of a civil, labor, social security and tax nature that are subject to court litigation are periodically reassessed and are accounted for based on the opinions issued by the Company's legal department, by independent legal consultants and by the management on the probable outcome of lawsuits on the balance sheet date. Legal reserves of a civil and operational nature that are subject to court litigation are calculated and accounted for based on specific percentages, which are calculated based on the historical analysis of the corresponding lawsuits, which considers the relation of amounts spent with closed lawsuits by positive outcome, court agreement or court sentence and their corresponding estimates of risk exposures. The percentages of loss probability are applied to the civil contingencies that exist on the closing date of the consolidated financial statements.

Legal reserves of a labor, social security and tax nature are accounted for under "Other debts", in non-current liabilities. Civil contingencies are accounted for under "Claims outstanding" in current liabilities. The estimated loss amounts of the civil and labor contingencies are updated according to update criteria and interest that is historically attributed to the suits, considering their nature and court where the suit is being assessed.

The estimated loss amounts of tax and social security contingencies are updated by the Selic rate. The corresponding judicial deposits, when required, are accounted for under "Judicial and tax deposits" in non-currents assets and updated by the Selic rate. Contingent assets are periodically assessed to ensure that the developments are appropriately reflected in the parent company and consolidated financial statements. If it is virtually certain that economic benefits will occur, the asset and corresponding gain are recognized in the consolidated financial statements for the period in which the estimate change occurs. If it is probable that the economic benefit will occur, the Company discloses the contingent assets.

25.10 Deferred and current income tax and social contribution

The reserve for income tax and social contribution is based on the taxable income for the year. The taxable income differs from the profit presented in the statements of income because it excludes the expenses and revenue taxable or deductible in other years, and it also excludes non-taxable or not permanently deductible items.

The reserve for income tax and social security is individually calculated based on the tax rates in force at the end of the year.

Deferred income tax and social contribution ("deferred tax") are recognized at the end of each year on the temporary differences between the assets and liabilities balance recognized in the consolidated financial statements and the corresponding tax bases used in the determination of the taxable income, including tax losses, when applicable. The deferred taxes liabilities are usually recognized on all the taxable temporary differences and the deferred tax assets are recognized on all the deductible temporary differences, only when it is probable that the Company will earn sufficient future taxable income that these deductible temporary differences can be used.

The recovery of the balance of the deferred tax assets is reviewed at the end of each year and, when it is not probable that future taxable income will be available to allow the recovery of all assets, or part of them, the assets balance is adjusted by the amount expected to be recovered.

Deferred tax assets and liabilities are measured by the rates applicable in the year in which the settlement of the liability or the realization of the asset is expected, based on the rates provided by the tax law effective at the end of each year, or when a new law has been substantially approved (currently 25% for income tax and 15% for social contribution). The measurement of the deferred tax assets and liabilities reflects the tax consequences that would result from the manner in which the Company expects, at the end of each year, to recover or to settle the carrying value of these assets and liabilities.

25.11 Benefits to employees

(a) Retirement obligations

In the case of retirement plans with defined benefits, the cost of the granting of the benefits is determined by the projected unit credit method based on annual actuarial evaluation at the end of each year. The cost of past services is immediately recognized, as the benefits will have already been granted, or amortized by the straight-line method for the average period until the benefits have been acquired.

The obligations connected with retirement benefits, when recognized in the balance sheet, represent the present value of the obligation, adjusted by actuarial gains and losses and by the cost of past services that have not been recognized, less the fair value of the plan's assets.

(b) Other post-employment obligations

The Company offers a contributory health plan for employees hired up to October 1, 2013, with outpatient and inpatient coverage and dental care coverage. The plan provides lifetime or temporary maintenance, as established by the applicable legislation. The expected costs of these benefits are accrued during the employment period using the same accounting methodology to be used for the pension plans with defined benefits. The actuarial gains and losses generated from adjustments based on experience and on changes of actuarial assumptions are immediately recognized in equity, as established by CPC 33. These obligations are evaluated by qualified independent actuaries.

25.12 Share capital

Common shares are classified as equity.

The incremental costs directly attributable to the issue of new shares or options are stated in equity as a deduction of the collected value, net of taxes.

When any entity that holds shares in IRB Brasil RE purchases its own equity shares in the Company (treasury shares), the value paid, including any additional costs directly incurred (net of income tax) is deducted from the equity to be assigned to the Company's shareholders, until the shares are canceled or reissued. When these shares are subsequently reissued, any value received, net of any additional transaction costs directly incurred and the respective income tax and social contribution effects is included in the equity to be assigned to the Company's shareholders.

25.13 Dividends

A dividend distribution proposal made by the Company's management, which is below the minimum mandatory dividend is recorded as a liability under "Obligations payable" because it is considered as a legal obligation provided by the Company's bylaws; however, an additional dividend proposed installment declared by the management after the financial period to which the consolidated financial statements refer, but before the approval by the shareholders at a general meeting, is registered under "Proposal of additional dividend distribution" in equity.

25.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of cancellations.

The Reinsurer recognizes revenue when its value can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each one of the activities described below. IRB Brasil RE bases its estimates on historical results, taking into consideration the kind of client and transaction and the specifications of each operation.

(a) Reinsurance premiums

Reinsurance premiums are accounted for as premiums issued as from their acceptance. Reinsurance premiums related to effective risks, but whose reinsurance premiums had not been issued yet, are calculated on an actuarial basis.

In the case of facultative reinsurance agreements, the premium issued is the amount agreed upon by the parties to ensure the reinsurance coverage, in the installments agreed by the reinsurer, for the risk term.

In the case of automatic reinsurance agreements, the premium issued is as follows:

- Non-proportional reinsurance agreements - the premium issued is the amount agreed upon by the parties to ensure the reinsurance coverage, in the installments agreed by the reinsurer, for the reinsurance agreement term.

- Proportional agreements - the premium issued is the premium amount estimated by the cedant for all the policies that will be covered by the reinsurance agreement during its effective period. This estimate is proportional to the reinsurer share and weighted by a performance percentage established based on the reinsurer's experience. These premiums are adjusted whenever the accountability is forwarded by the cedant, usually on a three-month basis.

(b) Dividends and interest income

Dividend income is recognized when the shareholder's right to receive the dividends is established (since it is probable that the future economic benefits will flow to the Reinsurer and the revenue amount can be reliably measured).

Interest income is recognized when it is probable that the future economic benefits will flow to the Reinsurer and the revenue amount can be reliably measured. Interest income is recognized by the straight-line method based on the time and effective interest rate on the principal outstanding amount, with the effective interest rate being the one that discounts the receipts of future cash estimated during the estimated life of the financial asset in relation to the initial net carrying value of this asset.

25.15 Expenses with claims and commission

The expenses with claims are accounted for on an accrual basis and determined based on concepts and assumptions defined in the actuarial technical note, as described in Note 25.9(a).

Commission is deferred and amortized, except in the case of operations involving incurred risks, the commission of which is directly recorded in the results for the year, based on the term of the reinsurance agreement. Commission concerning effective risks, the reinsurance premiums of which have not been issued yet, are calculated on an actuarial basis.

25.16 Statement of comprehensive income

The statements of comprehensive income are presented separately, being comprised of revenue and expense items (including reclassification adjustments) which are not recognized in the statements of income, as required by the CPC. They are presented considering whether or not they have potential to be subsequently reclassified to the result.

25.17 New standards, amendments and interpretations to existing standards that are not yet effective

The following new standards and interpretations to existing standards have been issued by IASB but are not effective for the year ended 2016:

IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective as from January 1, 2018. It replaces the orientation included in IAS 39 related to the classification and measurement of financial instruments. The main amendments brought by IFRS 9 are: (i) new criteria for the classification of financial assets; (ii) new impairment model for financial assets, which is a hybrid

of expected and incurred losses, replacing the current model of incurred losses; and (iii) relaxation of the requirements for adoption of the hedge accounting. Management is assessing IFRS 9's full impact. The Company is yet to assess IFRS 9's full impact. The standard is applicable in accordance to the guidance of SUSEP.

IFRS 15 - "Revenue from contracts with customers" This new standard introduces the principles to be applied by an entity to determine the measure and recognition of revenue. Effective date is January 1, 2018 and it replaces IAS 11 - "Construction Contracts", IAS 18 - "Revenue" and related interpretations. The Company is yet to assess IFRS 15's full impact. The standard is applicable from January 1, 2018.

IFRS 16 - "Leases" – the new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and replaces IAS 17 – "Leases" and corresponding interpretations. The Company is yet to assess IFRS 16's full impact.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's consolidated financial statements.

26 Critical accounting estimates and judgments

Accounting policies are important to demonstrate the financial condition and the results. Some of those policies require more subjective or complex judgments by management, frequently as a result of the need for estimates that impact on inherently uncertain subjects.

As the number of variables and assumptions that affect the future possible realization of these uncertainties increases, these judgments become even more subjective and complex.

In elaborating the Parent Company and consolidated financial statements, the Reinsurer has adopted variables and assumptions based on its historical experience and many other factors that it understands as reasonable and relevant. Significant items whose values are determined based on estimates include: marketable securities evaluated at their market value and reserves for adjusting assets to their realization or recovery value; revenue from premiums and corresponding commercialization expenses relating to the effective risks the respective insurance policies of which have not been issued yet, as well as reserves that involve values under legal dispute.

We mainly highlight the use of estimates in the evaluation of reinsurance liabilities, described in item (a) below, the estimates and judgments used in the evaluation of the reserves for tax, civil and labor contingencies, described in item (b) below, the estimates used to calculate the impairment of financial assets, described in item (c) below, the estimates of financial instruments' fair value, described in item (d) below and the estimates and judgments used in the determination of retirement benefits, described in item (e) below.

Changes or differences in these assumptions may impact on the current estimates and judgments. These estimates and assumptions are periodically reviewed. The review of the accounting estimates is recognized in the year in which the estimates are being reviewed, as well as in any future periods affected.

(a) Estimates and judgments used in the evaluation of reinsurance liabilities

The estimates used in the constitution of the Reinsurer's reinsurance liabilities represent the areas in which the Reinsurer applies critical accounting judgements in the preparation of the consolidated financial statements according to CPC. There are several uncertainty sources that need to be considered in the estimate of the liabilities the Reinsurer will ultimately settle. The sensitivity analysis regarding this critical estimate is given in Note 2.3.3 and the assumptions used are indicated below.

With regard to the LAT, the assumptions considered as critical in this study are the term structure of interest rates used to discount the current estimates of the cash flows at present value and the loss ratio estimates used for the flows of claims to be incurred.

The Reinsurer uses all the available internal and external information sources, past experience and indicators to define the actuarial assumptions and best estimate the loss settlement amount for agreements the reinsured events of which have already occurred. Consequently, the amounts provided may differ from the amounts effectively settled on future dates for these obligations.

(b) Estimates and judgments used in the evaluation of provision for tax, civil and labor contingencies

The Reinsurer is party to open labor, tax and civil lawsuits at the date of the elaboration of the financial statements. In determining and recording accounting estimates, the Reinsurer takes as the basis the opinion of its legal advisors in each area, the evolution of the lawsuits and judgment status in each specific case. The Reinsurer also uses its best judgment in these cases.

(c) Estimates used to calculate impairment of financial assets

The Reinsurer applies the recoverability analysis rules for financial assets measured at amortized cost. In this area, the Reinsurer applies a high degree of judgment to determine the level of uncertainty associated with the realization of the estimated contractual flows of the financial assets, mainly premiums receivable.

The Reinsurer follows the guidance of CPC 38 to determine when a financial asset available for sale is impaired. This determination requires significant judgment. For this judgment, the Reinsurer evaluates, among other factors, the duration of the time when and the proportion in which the fair value of an investment is lower than its cost, the counterparty's financial health and short-term business perspective, including factors such as the performance of the sector and of the segment and operating and financing cash flows.

(d) Estimate of fair value of financial instruments

As described in Note 2.7, the fair values of quoted financial instruments are based on current bid prices. For financial assets with no active market or public quotation, the fair value is established through evaluation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and the pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. Note 6 offers detailed information on the main assumptions used in the determination of the fair value of the financial instruments, as well as the sensitivity analysis of these assumptions.

(e) Estimates and judgments in determining retirement benefits

The cost of retirement plans with post-employment benefits defined and the present value of the retirement obligation are determined using actuarial evaluation methods. The actuarial evaluation involves the use of assumptions on discount rates, the expected rate of returned of assets, future salary increases, mortality rates, disabled retirees and future increases of retirement and the uptake of pension plans. The defined benefit obligation is highly sensitive to changes in these assumptions. All the assumptions are reviewed at the end of each year. In determining the appropriate discount rate, management considers interest rates with no risk. The mortality rate is based on mortality tables available in the country. Future increases in salaries and retirement and pension benefits are based on future inflation rates expected for the country. The sensitivity analysis relating to this critical estimate is disclosed in Note 25, as well as more details on the assumptions used.

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