(A free translation of the original in Portuguese)

IRB-Brasil Resseguros S.A.

Consolidated financial statements at December 31, 2013 and independent auditors' report

To the Shareholders,

IRB Brasil RE presents its Management's Report for the year 2013, highlighting the main activities developed in the period.

The financial statements have been prepared and presented in accordance with the accounting practices adopted in Brazil, related to the standards and instructions issued by regulating and supervising bodies that are applicable to reinsurance operations.

1. Economic situation

In spite of the unfavorable conditions of the world economy, the Brazilian economy presented in 2013 a growth of around 2.5%, higher than the performance in 2012, when it presented a 1% growth.

This result shows the economic recovery capacity of the country, which, according to analysts, has a growth potential of around 3% to 4%. In 2014, according to projections of the Ministry of Finance, the Gross Domestic Product will probably grow 3.5%. Furthermore, the monetary policy practiced in 2013, with the raise in the interest rates, should lead the inflation back to levels lower than the 5.91% observed in that year.

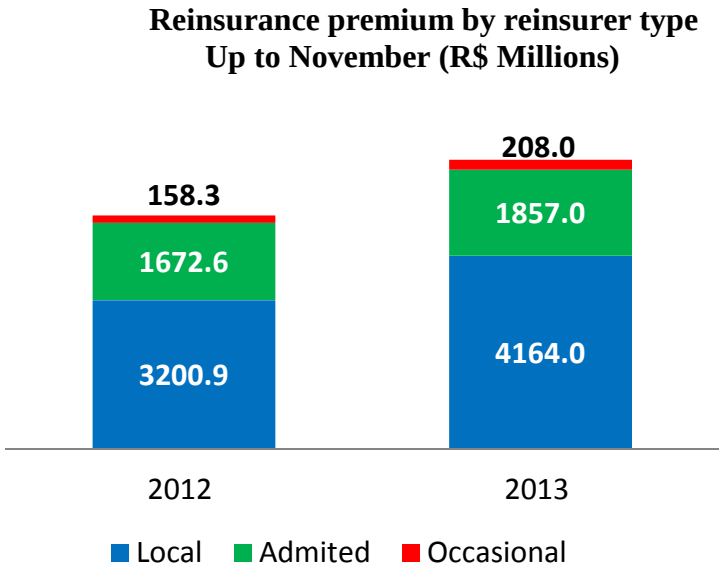
2. Insurance and reinsurance market in Brazil

In 2013, the Brazilian insurance market maintained the strong growth of the last years, reaching up to a 25% high in November when compared with the same period of the previous year. The expectation for the coming years is equally promising, and the insurance market will probably continue to outgrow GDP.

The general insurance segment (except for VGBL and DPVAT) should end the year with a premium volume amounting to R$ 78.6 billion, confirming the projections of the National Confederation of General, Private, Life, Health and Capitalization Insurance Companies - CNseg. For 2014, CNseg estimates a 14.5% growth, which will raise the premium volume to around R$ 89.9 billion.

The reinsurance market accompanied the primary market's good performance and, up to November, recorded earnings of R$ 6.2 billion, with a growth of around 24% in relation to the same period of the previous year. This market presents good future perspectives, considering the expected growth for the primary market, the recovery signs of the national economy, as well as the expected investments in infrastructure and in the oil and gas market.

The market share of the local reinsurers in the total premium has remained stable during the previous years. The estimation is that the local reinsurers will keep on maintaining its share of around 2/3 of the market, with IRB Brasil RE standing out. Up to November 2013, IRB Brasil RE maintained its share of around 52% among the local reinsurers. At the end of the year, the Brazilian reinsurance market counted 111 reinsurers, being 14 local, 31 admitted and 66 occasional.



Source: SUSEP (Insurance Base)

3. Highlights of the period

3.1. International expansion

Since 2012, IRB Brasil RE is a shareholder and partner of the African Reinsurance Corporation - Africa Re, a company with the status of an international body, which is the leader in the African continent. This participation, which is aligned with the Company's internationalization strategy, not only enables the receipt of dividends, with adequate return on investment, but also a higher synergy with the reinsurance market of that continent as well.

In Latin America, IRB Brasil RE not only consolidated its operation in Argentina, where it has maintained a branch since 2011, as well as widening its operational capacity in the region, becoming a registered reinsurer in Peru, Mexico, Colombia, Paraguay, Uruguay, Ecuador, Bolivia, Belize, Guatemala, Dominican Republic, Costa Rica and Panama, and is about to obtain registration in some other countries of Latin and Central America and the Caribbean.

In order to protect the international portfolio results and to obtain more competitiveness, IRB Brasil RE entered into a protection agreement for its foreign expansion, focused on Latin America and Africa. With this additional capacity, it is expected that IRB Brasil RE may have more significant shares in important reinsurance programs of the mentioned regions.

3.2. Rating

The good solvency of IRB-Brasil RE was shown by the same rating awarded by the classifying agency A.M. Best (A-, excellent), confirming the high level of reliability, professionalism and equity strength of the Company.

The confirmation of the rating has an essential role in the strategic projects and in the future of IRB Brasil RE. Accordingly, the Company has tried to expand its commercial actions, to consolidate its position in the markets where it operates and to enter new markets.

3.3. Information Technology

Regarding the strengthening of the technological capital, IRB Brasil RE implemented the desktop virtualization solution, which allowed the Company to meet its expansion strategy, enabling the collaborators to work equally and with no restrictions within or outside the Company, making the users more efficient and productive and providing a better performance of the work stations.

In 2013, many actions were implemented regarding IT, highlighting: the implementation of the controllership sector, the cost control in projects, the implementation of the Operation Control Center - OCC and the implementation of the management of hours and cost transfer (timesheet), which will make it possible to better control and view the IT costs.

Furthermore, the Company continued its strategic project of implantation of the Financial Services - Reinsurance (FS-RI) and Financial Services - Collections and Disbursements (FS-CD) SAP software, which will provide a flexible and safe management of all the reinsurance operation stages (underwriting, technical account and insurance losses). The implementation of the mentioned software is planned for the beginning of 2014.

3.4. Marketing

The new composition of the shareholding of IRB Brasil RE motivated the modernization of its visual identity and the release of its new brand, with events being held at the Headquarters, in the branches in São Paulo and Argentina, as well as in Brasilia.

During the year, 8 cultural sponsorships, 7 institutional sponsorships, 14 events, 5 awareness actions and 8 advertisements in newspapers and magazines were carried out in order to position the Company's brand. IRB Brasil RE's website was totally reformulated, within the new visual identity standard, in four languages: Portuguese, English, French and Spanish, in order to be more close to the local and foreign business partners.

3.5. Human resources

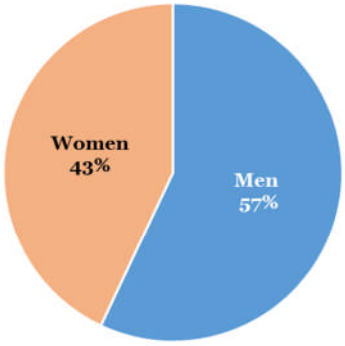
The Company recognizes the importance of its human and intellectual capital and, for this reason, during 2013, various structural actions were developed with the objective of keeping the employees committed and prepared for the new challenges.

Among the most important we highlight: the hiring of a Consultancy to develop the New Career and Salary Plan (PCS), with a Remuneration Policy aligned with the best practices in the private insurance and reinsurance market, in order to enable the alignment of the career structure with the organization's new position after the corporate change and the attraction and retention of the collaborators; the creation of a Talent Bank to identify market professionals; studies for the adequacy of the Health Insurance; renegotiation of the Life Insurance Contract; the Mapping of Skills and the creation of a new model of Performance Evaluation.

In the pursuit of excellence, IRB Brasil RE created Training and Development actions ensuring that all its employees are prepared to perform their activities. The main initiatives were: development of the training grid of "Projeto Re-Ação", related to the implementation of the new management system, counting with 219 trained in 297 training actions in its first stage; the Incentive Program, which resulted in the sponsorship of Post-graduation for 24 employees and of language courses for 83 employees; and the implantation of the "Portal do Conhecimento" - known as Virtual Learning Environment with the release of the Prevention to Money Laundering course.

IRB Brasil RE ended the second six-month period of 2013 with 344 employees with the following profile:

Number of Employees – by Gender (at December 2013)



Source: IRB Brasil RE

Number of Employees – by Age (at December 2013)



Source: IRB Brasil RE

3.6. Business continuity management

In order to ensure the continuity of its business as well as the ready response to our clients, IRB Brasil RE acquired infrastructure for the implantation of the project Business Continuity Management - GCN, which will be installed in the subsidiary in São Paulo. GCN is a set of strategies and action plans with the objective of maintaining the business continuity in the case of impediment of the operation of the Headquarters, assuring the stakeholders' interests as well as the Company's reputation and brand and its value added activities.

3.7. Privatization process

The privatization process of IRB Brasil RE, started with the publication of Resolution No. 3 of the National Privatization Council (Conselho Nacional de Desestatização) of April 7, 2011, has been concluded with the registering of the new bylaws in the Board of Trade of the State of Rio de Janeiro, on October 1, 2013, based on the decisions of the 42nd Extraordinary General Meeting that took place on August 20, 2013, which also confirmed the Capital increase of R$ 1,453,080,000, represented by 1,035,663 common shares and 1 preferential (Golden Share) owned by the Federal Government.

The mentioned process was concluded with the validation of the entire procedure by the control and inspection bodies: Federal Audit Court ("Tribunal de Contas da União - TCU"), Brazilian Central Bank ("Banco Central do Brasil - BACEN"), Administrative Council for Economic Defense ("Conselho Administrativo de Defesa Econômica - CADE") and Private Insurance Agency ("Superintendência de Seguros Privados - SUSEP").

The new shareholding is made up the Federal Government, BB Seguros Participações S.A., Bradesco Auto Re Companhia de Seguros, Itaú Seguros S.A., Itaú Vida e Previdência S.A. and Fundo de Investimento em Participações Caixa Barcelona. This group of shareholders' hold more than 90% of the capital, the remaining is distributed between various shareholders, among them active and retired employees.

3.8. Awards of recognition

The main awards and honors received by IRB Brasil RE in 2013 were: Gaivota de Ouro Trophy, in the category "Excellence and Leadership in Sales in the Reinsurance Market"; Award of "Best Reinsurer of Brazil" by magazine Reactions, part of the Euromoney group; "Melhores do Seguro" award by the Magazine Apólice, in the category National Reinsurer; first in the ranking of the Largest Reinsurers of the country, in operating profit, net profit, total assets, equity and the most profitable on equity, in the 3rd edition of the yearbook Valor 1000, which awards the best companies in 25 sectors of the Brazilian economy.

3.9. Preventing and combating money laundering and terrorism financing

Through a permanent control and monitoring structure, IRB Brasil RE operates with the commitment to be in accordance with all regulation outlines, fully cooperating with the authorities' efforts, mainly regarding preventing and combating money laundering and terrorism financing.

Considering this commitment and the legal amendments on this matter, which occurred in 2012, the recent changes in IRB Brasil RE and also the need of alignment with the best actual practices, a new Compliance Program was elaborated, providing a series of actions and procedures that aim to continue the dissemination of control culture and the effectiveness of practices with the due stability necessary to minimize the risks of "money laundering" and terrorism financing within the Company. The matter is also being stressed in the training programs, in order to make the collaborators aware and skilled.

3.10 Policies of profit reinvestment and dividend distribution

The policies of profit reinvestment and dividend distributions of IRB Brasil RE are defined in the Company's bylaws and are discussed in the General Meetings, being distributed to the shareholders minimum mandatory dividend that cannot be lower than 25% of the profit for the year.

4. Consolidated managerial data

In spite of the challenges faced in 2013, the measures implemented by IRB Brasil RE allowed that the main strategic objectives were reached, as well as the growth of 9.9% in the issued premiums and of 42.9% in the earned premiums when compared to the same period of the previous year, resulting in a market share of around 35% (up to November 2013). The result recorded in the period suffered the impact mainly from the decrease in the financial performance and from the reversal of tax expenses and of reserves for post-employment benefits under administrative expenses.

Result (R$ millions)	2013	2012	%
Issued premiums	3,072.7	2,795.3	9.9%
Earned premiums	1,715.7	1,200.3	42.9%
Withheld losses	-1,085.2	-799.9	35.7%
Commercialization expenses	-287.3	-196.7	46.1%
Result with reinsurance and retrocession	282.1	293.4	-3.9%
Result before taxes	629.1	527.1	19.3%
Net profit	348.7	397.1	-12.2%

Ratios	2013	2012	p.p. *
Loss ratio	63.3%	66.6%	-3.4
Commercialization expenses	16.7%	16.4%	0.4
Administrative expenses	7.6%	30.0%	-22.4
Gross margin	16.4%	24.4%	-8.0
Combined ratio	88.2%	109.5%	-21.3
ROE – Return on Equity	14.9%	22.6%	-7.7

Source: IRB Brasil RE

*ROE ADJUSTED 2013 = Net profit 2013 /(Equity with net profit and without additional dividends for 2012)

4.1. Performance of IRB Brasil RE

4.1.1. Reinsurance and retrocession operations

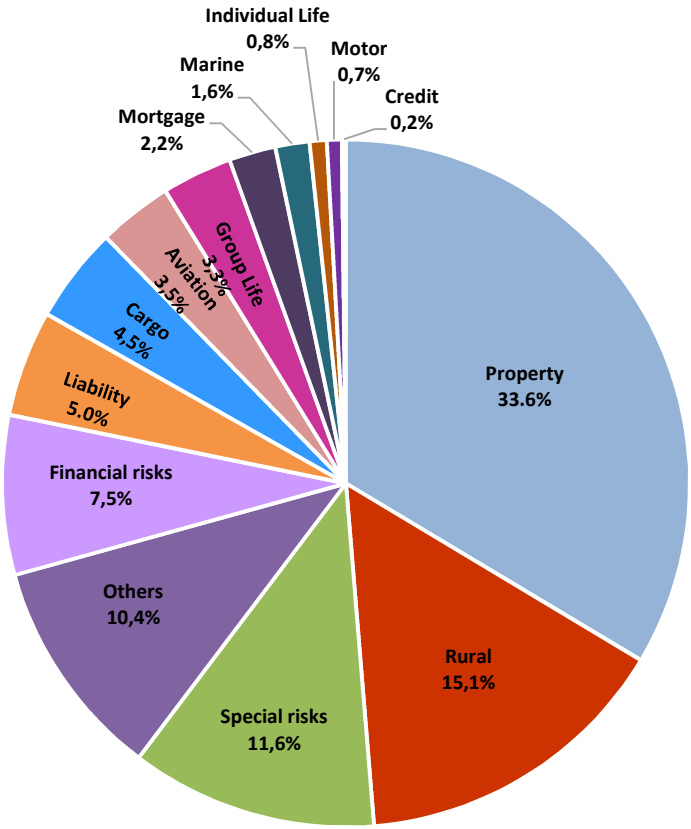
IRB Brasil RE recorded a volume of issued premiums of R$ 3,072.7 million, which represents a 9.9% increase in relation to the same period of the previous year, in nominal terms. This growth was driven by the joint action of the commercial and underwriting areas, which is in accordance with the Company's strategic planning and allowed not only the maintenance of the position as the Brazilian reinsurance market leader as well as a better share in the foreign market. Evidences of this is the growth in the share of acceptances of base premiums abroad and in the premiums arising from the branches abroad, which increased from 7.2% in 2012 to 10.4% in 2013.

Regarding the market segments, the participation of the group in the Property line stands out, with earnings of R$ 1,028 million, followed by the Rural line, with earnings of R$ 465 million.

The withheld claims suffered an impact mainly from events related to the groups of the Equity line and Others, which is related to the acceptances and branches abroad.

The combined ratio reached 88.2%, presenting a decrease of 21.3 percent in relation to the same period of the previous year. The most relevant causes for this variation were the increase in the earned premium, the decrease in the administrative expenses and the reversal of the tax expenses.

Written Premium Distribution by Lines of Business (%)
Accumulated up to December/2013



* Others: it refers to acceptances and branches abroad.
Source: IRB Brasil RE

4.1.2 Administrative performance

The administrative expenses amounted to R$ 131 million, presenting a decrease of 64% in relation to the same period of the previous year. The greatest impact of this variation is related to the reversal of the reserve for coverage of post-employment benefits (retirement, health care, life insurance and funeral aid) amounting to R$ 78.0 million, which had been constituted in 2012.

4.1.3 Financial performance

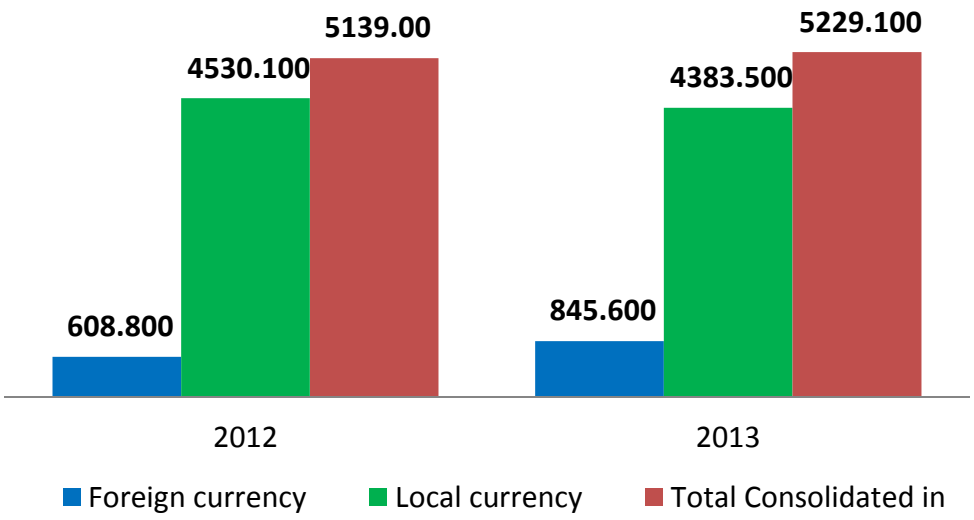
At the end of 2013, the investments portfolio amounted to R$ 5,229.1 million. Of this total, R$ 845.6 million refers to operations in foreign currency and R$ 4,383.5 million in local currency. The portfolio's profitability reached 6.44% a year, the financial result for the period was R$ 366.9 million.

During 2013, the investments portfolio suffered the impact from the deterioration of the global scenario, arising from the expectation of changes in the American monetary policy, which strongly affected the behavior of the Brazilian assets, increasing the risk premiums and the volatility of the markets.

In order to decrease the volatility of the investments portfolio and to neutralize the Company's liability, in December 2013, IRB Brasil RE transferred all the NTN-Bs from the BB's Extramercado Exclusivo 22 Investment Fund to its own portfolio, having been recorded in IRB's ownership account in the SELIC system and marked as "securities held to maturity". When the position in NTN-Bs was zero, the changes in the portfolio began in order to comply with the new regulation of the fund, which will not be "Extramercado" anymore.

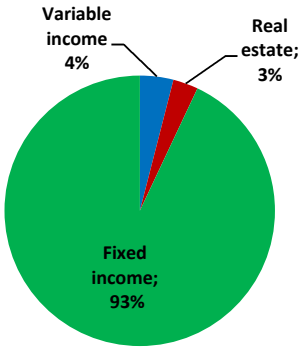
To be in compliance with the International Financial Reporting Standards (IFRS), IRB Brasil RE declares it has the financial capacity compatible with its operations and the intention to hold to maturity the marketable securities classified under "Securities held to maturity".

Evolution of the investments portfolio (R$ millions)

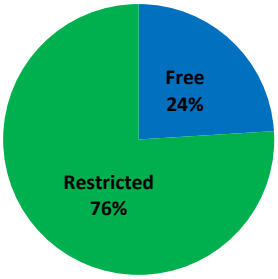


Source: IRB Brasil RE

Allocation of the investments - December 2013



Allocation of assets - December 2013



Source: IRB Brasil RE

Acknowledgments

The Administration would like to thank the shareholders for putting their trust in us, the preference demonstrated by insurance societies and other market agents, as well as the decisive support of policyholders in the indication of IRB Brasil Re as the priority reinsurer for their protection.

We also would like to thank our employees for their dedication in the work, which is fundamental for the good performance of the Company.

EXECUTIVE BOARD

Leonardo André Paixão
CEO and President

Mario Di Croce
Executive Vice-President

Carlos Alberto de Paula
Chief Human Resources and Marketing Officer

Daniel da Silva Veiga
Chief Commercial Officer

Francisco Aldenor Alencar Andrade
Chief Claims Officer

José Farias de Sousa
Chief Underwriting Officer

Manoel Morais de Araujo
Chief Financial Officer

Sergio Rosa
Chief Technology Officer

BOARD OF DIRECTORS

Dyogo Henrique de Oliveira
Chairman

Marcelo Augusto Dutra Labuto

Antonio Eduardo Márquez de Figueiredo Trindade

Flavio Eduardo Arakaki

AUDIT COMMITTEE

Glauben Teixeira de Carvalho
President

Gueitiro Matsuo Genso

Haydewaldo Roberto Chamberlain da Costa

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Independent auditor's report

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

We have audited the accompanying consolidated financial statements of IRB-Brasil Resseguros S.A. and its subsidiary ("Reinsurer"), which comprise the consolidated balance sheet as at December 31, 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

IRB - Brasil Resseguros S.A.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of IRB-Brasil Resseguros S.A. and its subsidiary as at December 31, 2013, and its consolidated financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IA SB).

Emphasis of matter

We call attention to Notes 2.1 and 19.2 to the consolidated financial statements, which mention that the Reinsurer has a subsidiary in London that is, currently, in the process of discontinuing its activities ("run-off"). The mentioned subsidiary maintains technical reserves constituted due to obligations contracted up to 1982, whose final amounts may significantly vary upon their effective realization in subsequent periods. Our opinion is not qualified in respect of this matter.

Rio de Janeiro, March 14, 2014

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

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

IRB-Brasil Resseguros S.A.

Consolidated balance sheets at December 31

In thousands of reais

(A free translation of the original in Portuguese)

Assets	Note	2013	2012 (Reclassified)
Current assets		9,459,411	8,235,027
Cash and cash equivalents		58,259	28,104
Cash and banks	5	58,259	28,104
Investments	6	3,484,793	2,790,828
Fixed-income securities - private		297,380	473,403
Fixed-income securities - public		2,216,188	1,671,233
Variable income securities		210,609	189,003
Investments abroad		796,650	487,260
Other investments			1,361
(-) Provision for devaluation		(36,034)	(31,432)
Credits of the reinsurance and retrocession operations		2,255,335	2,392,014
Operations with insurers	7.1	1,768,527	1,745,806
Operations with reinsurers	7.2	495,461	608,700
Other operating credits		95,986	117,743
(-) Provision for credit risks	7.4	(104,639)	(80,235)
Retrocession assets - technical reserves		3,410,474	2,986,129
Premiums - retrocession	8.2	686,563	720,436
Claims - retrocession	8.1	2,710,123	2,256,864
Other reserves	8.3	13,788	8,829
Securities and receivables		249,578	36,732
Securities and receivables	9	15,483	26,262
Tax and social security credits	10.1	231,323	6,043
Other credits		2,772	4,427
Prepaid expenses		972	1,220
Non-current assets		2,701,269	3,116,492
Long-term receivables		2,401,894	2,832,790
Investments	6	1,697,327	2,142,882
Fixed-income securities - government		1,505,220	1,948,674
Investments abroad		322,404	365,304
(-) Reserve for devaluation		(130,297)	(171,096)
Credits of the reinsurance and retrocession operations			
Operations with insurers	7.1	30,281	30,222
(-) Provision for credit risks	7.4	(30,281)	(30,222)
Securities and receivables		704,567	689,908
Securities and receivables	9	25,770	34,335
Tax and social security credits	10.1	360,094	384,005
Judicial and fiscal deposits	22	309,955	262,820
Other receivables		45,690	45,690
(-) Provision for credit risks		(36,942)	(36,942)
Investments		227,743	219,943
Investments valued at cost	11	56,743	57,338
Property for sale	12	170,874	161,782
Other investments		126	823
Property and equipment	13	32,154	30,966
Properties		21,998	21,591
Movable assets		46,515	43,441
Other fixed assets		2,389	
(-) Depreciation		(38,748)	(34,066)
Intangible assets	14	39,478	32,793
Total assets		12,160,680	11,351,519

Liabilities and equity	Note	2013	2012 (Reclassified)
Current liabilities		8,742,346	8,065,274
Accounts payable		200,201	172,867
Payables	15	39,894	43,980
Taxes and social charges payable		14,762	3,571
Labor provisions	23	11,013	13,070
Provisions for post-employment benefits	15 and.25.1	32,259	44,339
Provisions for taxes and contributions	16	102,273	67,907
Debits of reinsurance and retrocession operations	17	1,232,787	1,469,994
Operations with insurers		336,263	364,507
Operations with reinsurers		785,163	1,036,365
Reinsurance and retrocession brokers		32,838	34,043
Other operating debits		78,523	35,079
Third-parties' deposits		29,087	64,441
Anticipated premium collection	18	29,087	64,441
Technical provisions - reinsurance and retrocessions		7,280,271	6,357,972
Elementary and life group lines		7,280,271	6,357,972
Unearned premium reserve	19.1	1,713,343	1,603,292
Current risks issued		1,079,823	892,272
Current risks not issued		633,520	711,020
Losses outstanding	19.2	4,882,406	4,101,612
Provision for incurred but not reported claims	19.2	647,410	617,728
Other provisions	19.4	37,112	35,340
Non-current liabilities		750,121	762,946
Long-term liabilities		750,121	762,946
Accounts payable		592,442	599,315
Provisions for taxes and contributions	22	213,404	174,586
Provisions for post-employment benefits	15 and.26.1	357,007	424,729
Provisions for deferred taxes	16	21,810	
Other payables	15	221	
Debits of reinsurance and retrocession operations		816	737
Other operating debits		816	737
Other contingent liabilities	22	156,863	162,894
Tax contingencies		72,605	70,457
Labor contingencies		44,096	54,417
Social security contingencies		37,436	35,289
Other provisions		2,726	2,731
Equity		2,668,213	2,523,299
Share capital	24.1.1	1,453,080	1,350,000
Revenue reserves	24.1.2	1,075,677	983,320
Carrying value adjustments	24.2.1	(19,835)	(868)
Accumulates conversion adjustments	24.2.2	4,188	2,207
Proposal for distribution of additional dividends		165,634	188,640
(-) Treasury shares		(10,531)	
Total liabilities and equity		12,160,680	11,351,519

The accompanying notes are an integral part of these financial statements.

IRB-Brasil Resseguros S.A.

Consolidated statements of income
Years ended December 31

In thousands of reais, except for the net income per share (A free translation of the original in Portuguese)

	Note	2013	2012 (Reclassified)
Net premiums issued		2,697,245	2,405,925
Reinsurance premiums		2,438,184	2,223,470
Accepted retrocessions		120,303	89,733
Subsidiaries abroad		138,758	92,722
Changes in technical reserves		(78,871)	(557,896)
Earned premiums	25.1	2,618,374	1,848,029
Incurred losses	25.2	(2,280,348)	(1,664,491)
Direct claims		(2,374,892)	(1,689,649)
Salvage and reimbursements		114,760	64,062
Changes in provision for incurred but not reported claims		(20,216)	(38,904)
Acquisition costs	25.3	(84,802)	(57,260)
Commissions		(84,802)	(57,260)
Other operating revenues and expenses	25.5	(70,024)	90,739
Result with retrocession	25.4	100,915	78,079
Revenue with retrocession		1,213,846	874,342
Expense with retrocession		(1,110,700)	(787,116)
Revenue with profit sharing		10,190	622
Salvage and reimbursements		(12,421)	(9,769)
Administrative expenses	25.6	(152,390)	(380,912)
Expenses with taxes	25.7	51,557	(46,428)
Finance result	25.8	369,747	521,518
Finance income		1,113,410	803,971
Finance costs		(743,663)	(282,453)
Equity results	25.9	56,154	64,599
Net profit from leased properties		34,516	63,201
Adjustments to investments in subsidiary and associated companies		(30,457)	
Other net capital revenues		52,095	1,398
Gains or losses with non-current assets	25.10	3,109	56,489
Result before taxes and profit sharing		612,292	510,362
Income tax	25.11	(137,784)	(118,509)
Social contribution	25.11	(84,407)	(71,432)
Deferred income tax and social contribution		(41,397)	76,715
Profit for the period		348,704	397,136
Number of common shares		1,035,664	500,000
Basic and diluted earnings per share for the year		336.70	378.23

The accompanying notes are an integral part of these financial statements.

IRB-Brasil Resseguros S.A.

Consolidated statements of comprehensive income
Years ended December 31
In thousands of reais (A free translation of the original in Portuguese)

	Note	2013	2012
Profit for the year		348,704	397,136
Other comprehensive income			
Exchange differences on translation of foreign transactions			
Exchange differences arising in the year	24.2.2	1,981	1,178
		350,685	398,314
Financial assets available-for-sale			
Net gain (loss) arising from reassessment of financial assets available-for-sale in the year	24.2.1	(31,612)	9,233
		319,073	407,547
Income tax and social contribution related to components of other comprehensive income	24.2.1	12,645	(3,457)
Total comprehensive income for the year		331,718	404,090

The accompanying notes are an integral part of these financial statements.

IRB-Brasil Resseguros S.A.

Consolidated statement of changes in equity

In thousands of reais, except for interest on shareholder's equity and dividends per common share

(A free translation of the original in Portuguese)

	Share capital	Revenue reserves		Carrying value adjustments	Foreign currency translation reserve	Retained earnings (accumulated losses)	Proposal for distribution of additional dividends	Treasury shares	Parent company's equity
		Legal	Reinvestment						
At January 1, 2012	1,350,000	216,301	660,700	(6,644)	1,029		206,905		2,428,291
Additional dividend paid							(206,905)		(206,905)
Market value adjustment of marketable securities				5,776					5,776
Accumulated conversion adjustments					1,178				1,178
Reversal of reserve			(100,000)			100,000			
Profit for the year						397,136			397,136
Proposal for distribution of the profit for the year									
Legal reserve		19,857				(19,857)			
Reinvestment reserve			186,462			(186,462)			
Interest on capital (R$ 104.76 per preferred share and R$ 95.24 per common share)						(100,000)			(100,000)
Complement of minimum mandatory dividends (R$ 2.28 per preferred share and R$ 2.07 per common share)						(2,177)			(2,177)
Additional dividends (R$ 197.62 per preferred share and R$ 179.66 per common share)						(188,640)	188,640		
At December 31, 2012	1,350,000	236,158	747,162	(868)	2,207		188,640		2,523,299
Capital increase due to subscription of new shares	103,080								103,080
Treasury shares								(10,531)	(10,531)
Additional dividend paid							(188,640)		(188,640)
Market value adjustment of marketable securities				(18,967)					(18,967)
Accumulated conversion adjustments					1,981				1,981
Reversal of reserve			(80,000)			80,000			
Profit for the year						348,704			348,704
Proposal for distribution of the profit for the year									
Legal reserve		17,435				(17,435)			
Reinvestment reserve			154,922			(154,922)			
Interest on capital (R$ 77.25 per common share and Golden Share)						(80,000)			(80,000)
Complement of minimum mandatory dividends (R$ 10.34 per common share and Golden Share)						(10,713)			(10,713)
Additional dividends (R$ 159.93 per preferred common share and Golden Share)						(165,634)	165,634		
At December 31, 2013	1,453,080	253,593	822,084	(19,835)	4,188		165,634	(10,531)	2,668,213

The accompanying notes are an integral part of these financial statements.

IRB-Brasil Resseguros S.A.

Consolidated statements of cash flows
Years ended December 31

In thousands of reais (A free translation of the original in Portuguese)

	2013	2012
Operating activities		
Receipts of insurance premiums, social security contributions and management fees and others	2,056,721	1,687,304
Claims and commission recovery	349,435	140,202
Other operating receipts (salvage, reimbursements and others)	205,385	137,956
Payments of claims, benefits, redemptions and commissions	(1,066,367)	(1,032,232)
Transfer of premiums due to risk cession	(357,047)	(375,705)
Payments of expenses and liabilities	(250,579)	(155,553)
Other operating payments	(587,578)	(148,217)
Receipt of rentals	23,323	20,841
Receipt of interest and dividends	5,160	3,836
Constitution of judicial deposits	(43,834)	(27,724)
Cash from operations	334,619	250,708
Taxes and contributions paid	(211,952)	(272,651)
Financial investments		
Financial investments at fair value through profit or loss	(1,804,529)	(1,610,797)
Sales and redemptions of investments at fair value through profit or loss	2,169,991	1,585,625
Net cash from operating activities	488,129	(47,115)
Investing activities		
Financial investments		
Investments available-for-sale	(294,061)	(43,200)
Sales and redemptions of investments available-for-sale	566,002	125,035
Investments held to maturity	(2,736,769)	(1,880,749)
Sales and redemptions of investments held to maturity	2,198,209	2,031,547
Payment for purchase		
Investments		(56,939)
Property and equipment	(6,945)	(4,739)
Intangible assets	(11,967)	(14,782)
Receipt from sale		
Investments	3,109	158,002
Property and equipment		21
Net cash from (used in) investing activities	(282,422)	314,196
Financing activities		
Capital increase	103,080	
Distribution of dividends and interest on capital	(277,430)	(305,269)
Acquisition of own shares	(10,531)	
Net cash used in financing activities	(184,881)	(305,269)
Decrease in cash and cash equivalents	20,826	(38,188)
Exchange variation on cash and cash equivalents	9,329	(7,916)
Increase (decrease) of cash and cash equivalents after exchange variation	30,155	(46,104)
Cash and cash equivalents at the beginning of the year	28,104	74,208
Cash and cash equivalents at the end of the year	58,259	28,104
Decrease in financial investments - free resources	(72,371)	(99,135)

	2013	2012
Reconciliation between profit for the year and net cash from operating activities		
Profit for the year	348,704	397,136
Adjustments to profit		
Depreciations and amortizations	12,585	10,626
Reversal of impairment	(254)	(20,176)
Gain on the disposal of property and equipment and intangible assets	(3,109)	(56,489)
Other adjustments	10,986	6,542
Changes in equity accounts		
Financial investments	(13,073)	(548,208)
Credits of the insurance and reinsurance operations	137,715	(464,000)
Retrocession assets	(420,480)	(521,910)
Tax and social security credits	(201,369)	(45,536)
Prepaid expenses	248	(1,054)
Other assets	8,925	26,787
Judicial and fiscal deposits	(47,135)	(83,542)
Trade payables	(100,024)	111,985
Taxes and contributions	118,828	26,979
Debits of insurance and reinsurance operations	(237,155)	194,809
Third-parties' deposits	(35,354)	(31,434)
Technical reserves- insurance and reinsurance	918,241	940,850
Other liabilities	(4,119)	558
Judicial provisions	(6,031)	8,962
Net cash from operations	488,129	(47,115)

The accompanying notes are an integral part of these consolidated financial statements.

1 General information

IRB-Brasil Resseguros S.A. ("IRB Brasil RE", "Reinsurer" or "Company") is a closed capital semipublic private company established in 1939 by President Getúlio Vargas, with headquarters at Avenida Marechal Câmara 171 in the municipality of Rio de Janeiro.

Its activities are focused on reinsurance operations in Brazil and abroad. Furthermore, it operates in the management of consortia and funds to ensure certain activities, mainly in the exploration and agricultural areas.

IRB-Brasil Resseguros S.A, according to the provisions of Article 22 of Complementary Law No. 126/2007, which set forth the participation of new reinsurers in the national market, is qualified as a local reinsurer and authorized to continue to carry out its reinsurance and retrocession activities without interrupting its business operations, regardless of any requirements or government authorization. It should be pointed out that, since March 31, 2011 with the implementation of the amendment prompted by Article 15 of the National Council of Private Insurances (CNSP) Resolution No. 168, dated December 17, 2007 and through publication of the CNSP Resolution No. 225 on December 6, 2010, all reinsurance contracts must have, at least, 40% (forty percent) of each cession contracted with local reinsurers.

Considering the privatization process of IRB Brasil RE, under the management of the Brazilian Development Bank (BNDES), which is concluded, two Extraordinary General Shareholders Meetings (AGE) had already taken place on January 30, 2013 and June 7, 2013, respectively, according to the provisions of the National Privatization Council (CND) Resolution No. 3, dated April 7, 2011 which resumed the process, and CND Resolution No. 3 dated January 16, 2013, in which the following was decided: (i) conversion of all the preferred shares (PN), currently held by the private shareholders, into common shares (ON); (ii) granting of special powers to the Federal Government through the *Golden Share*; (iii) amendments on the Company's bylaws and (iv) capital increase, with the issuance of 40,000 new shares, with the Union waiving its right on the mentioned subscription.

On August 20, 2013, the Shareholders Meeting ratified and homologated the effective capital increase and consolidated the Reinsurer's bylaws. These decisions were dealt with at the Extraordinary General Meeting carried out on June 7, 2013 and their effects were approved by the Private Insurance Agency ("Superintendência de Seguros Privados - SUSEP") ordinance dated September 12, 2013.

The conclusion of the privatization process occurred when all the corporate acts regarding the corporate restructure were recorded with the Board of Trade of the State of Rio de Janeiro, obtaining from the Board of Trade pronouncement of the registration of the new bylaws and of the other corporate changes arising from the mentioned process as from October 1, 2013, when it obtained the mentioned pronouncement.

At December 31, 2013, based on information from IRB Brasil RE and SUSEP, IRB-Brasil Resseguros S.A. was the market leader with approximately 35% of the reinsurance market share in Brazil and it maintained its operational focus on the generation of value for to the clients through reinsurance efficient solutions, aiming for reliable results and sustainable growth perspectives.

The Reinsurer's Administrative Board approved the issuance of the consolidated financial statements on March 14, 2014.

2 Summary of significant accounting policies

The Company's consolidated financial statements were prepared and are being presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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

2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, with the financial assets at fair value through profit or loss and available-for-sale measured at fair value.

The preparation of 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 higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

IRB-Brasil Resseguros S.A. has a branch office in London, whose operations are being discontinued ("run-off"), as well as a branch office in Argentina, whose operations started on September 1, 2011. The corresponding accounting balances of these branches are recorded and presented in the Company's individual accounting balances, in addition to being audited by PricewaterhouseCoopers.

2.2 Consolidation

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

Subsidiaries are all entities over which the Company has the power to determine the financial and operational policies, usually accompanied by a shareholding of more than half of the voting capital.

The existence and the effect of possible voting rights currently exercisable or convertible are considered when it is assessed if the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company has a subsidiary located in the United States of America, which is in process of discontinuing its operations ("run-off"). The information on the subsidiary is as follows:

	IRB International Corporation & Subsidiaries
Capital share	100%
Number of shares owned	5,000,000
Assets	49,993
Current and non-current liabilities	(33,145)
Equity at the end of the year	16,848
Profit (Loss) for the year	583

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

- BB Ações 22 Investment Fund.
- BB Extramercado Exclusivo 22 Fixed-income Investment Fund.
- Bradesco Extramercado Exclusivo 22 Fixed-income Investment Fund.
- Harbor - Investment Funds in shares.
- Bradesco Investment Funds in shares Safe IBRX - 50.

The Company's consolidated financial statements were prepared in order to consolidate its subsidiary and the mentioned funds.

2.3 Foreign currency translation

(a) Functional and presentation currency

The items included in the Reinsurer's 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 Company's consolidated financial statements, the foreign currency transactions, i.e., 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, the monetary items in foreign currency are translated again using the exchange rates prevailing at the end of the year. The non-monetary items recorded at fair value determined in foreign currency are translated again using the rates on the date the fair value was determined. The non-monetary items measured at historical cost in a foreign currency should be translated using the exchange rate on the transaction date.

For the purpose of presentation of the 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 average exchange rates for the year, unless these rates have significantly fluctuated during the year; in this case, the rates prevailing at the transaction date is used. The exchange variation arising from these translations, if any, are classified under comprehensive results and accumulated in equity.

(c) Subsidiaries with a different functional currency

The results and financial position of the consolidated entity that has 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 the 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 dates of the transactions).

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other foreign currency instruments designated as hedges of such investments, are taken to equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 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.

2.5 Financial assets

2.5.1 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 were 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 credits and debits of the reinsurance and retrocession operations receivable, judicial and fiscal deposits and others, are measured at amortized cost value, using the effective interest rate method, less any loss for impairment. They are included in current assets, except for maturities greater 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 date, which the Company has the intention and capacity to hold to maturity.

2.5.2 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 period 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 between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The 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 calculated using the effective interest rate method 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.

2.5.3 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.

2.5.4 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 that occurred 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) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) the 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 since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio; and
- 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 period, 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 previously recorded loss 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 cost 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.

2.6 Classification of reinsurance contracts

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

Accordingly, the reinsurance treaty is classified as an insurance contract because it is defined as an operation under which an issuer accepts a significant insurance risk from another party, by agreeing to compensate it if a specified uncertain future event adversely affects it.

2.7 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Company uses derivative financial instruments to manage its exposure to exchange and interest rates risks, including forward foreign exchange contracts, future contracts of interest rates and of indexes.

No derivative financial instrument operations were contracted during the year covered by these consolidated financial statements.

2.8 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 method based on the assets' 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 which were separately acquired 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 benefits 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 of the sale and the asset's carrying value, are recognized in the result when the asset is written-off.

2.9 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 utensils, 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 building) are stated at historical cost revalued up to December 31, 2004 based on the opinions of independent experts and the last one recorded in 2004. With the enactment of Law No. 11,638/07, no new revaluations will be carried out.

The historical cost of property and equipment comprises expenditures that are directly attributable to the acquisition of the capitalized items and to maintain them in usable conditions.

Subsequent expenditures are included at 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 determined.

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 their estimated useful lives, as follows:

	Depreciation rate (p.a.) - %	Years
Properties	4	25
Furniture and utensils	10	10
Computer equipment	20	5
Vehicles	20	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-down the asset's recoverable value is lower than its carrying value.

2.10 Real estate properties for investment

The Reinsurer owns certain commercial properties, which are leased to third parties, under contracts classified as operating lease contracts, according to the International Accounting Standard (IAS) 17. The Reinsurer uses the depreciated cost model (cost method according to IAS 40) to assess such assets.

Real estate assets for investment are depreciated by the straight-line method, based on the estimated useful life of the asset. The majority of the rental agreements have a 3-year renewal option, and the rental prices are readjusted by the IGP-M/FGV.

2.11 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 by the difference between the carrying value and the recoverable value. The recoverable amount is defined by the IFRS 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 CGUs.

2.12 Reserves

(a) Technical reserves

The technical reserves on the reinsurance operations are shown gross in liabilities under "Technical reserves - Reinsurance", and the part of the technical reserves whose risk was transferred in retrocession operations are shown gross in assets under "Retrocession assets - technical reserves" as well as the creation of new groups of "Retrocession assets - technical reserves" and "Result with retrocession" in the statements of income, the reinsurance and retrocession premiums are now presented net of their respective commissions. The same treatment was given to the reinsurance and retrocession Unearned Premium Reserve, which now is presented net of their respective deferred acquisition costs.

- The unearned premium reserve for risks in force issued for optional treaties includes the part of issued premiums, corresponding to the risks not arising from the treaties. Its objective is to estimate future occurrence of claims that will be paid by IRB Brasil RE and it is operationally determined according to the expected exposure for each risk, To complement this reserve, the unearned premium reserve for risks in force not issued (PPNG-RVNE) is constituted, calculated based on an actuarial estimate for the risks in force whose treaties had not been issued yet, and this amount is determined based on the actuarial methodology, described in the actuarial technical note, and operational determination.

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

- The provision for incurred but not enough reported losses, related 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 development of the reported losses outstanding, at the calculation base date, whose amounts may be changed during the process up to its final settlement, at the calculation base date.

- The incurred but not reported losses provision, related 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 provision is constituted to ensure the amounts for the distribution of surplus arising from technical surplus in the treaties operations.

- The related expenses provision (PDR) refers to the expenses with regulation of losses and the coverage complementary provision (PCC), which will be made up when the Company's total liabilities are considered insufficient in the liabilities adequacy test. However, according to the provisions of the mentioned Circular letter, this liabilities' balance will be presented as from the closing consolidated financial statements for the year, if necessary.

(b) Liability adequacy test - LAT

The liability adequacy test is an economic test on the amount accounted for in the Company's liabilities and its objective is to determine possible deficiencies in the amounts of the liabilities arising from the reinsurance treaties. This test is established by IFRS 4.

In order to measure 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 an insufficiency is observed, it must be recognized in the Coverage Complementary Reserve (PCC).

Cash flows were separated in groups of lines, according to their similarities, plus the discrimination of the treaties in local and foreign currency, generating a more detailed analysis than the minimum analysis indicated in the circular letter, observing the divisions between registered and future premiums and past and future losses.

Reinsurance treaties in force up to December 31, 2013 were considered automatic renewals or any other treaties were not considered.

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 advantage was not used of the deduction of the difference between the market value and the value accounted for of the securities classified as held to maturity, linked to ensure the technical reserves.

The test carried out for December 31, 2013 presented no insufficiency.

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

(c) Legal provisions, contingent liabilities and assets

Legal provisions of a civil, labor, social security and tax nature, which are the object of 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 the lawsuits on the balance sheet dates. Legal provision of a civil and operational nature, the object of court litigation, are calculated and accounted for based on specific percentages, which are calculated based on the analysis of the conclusion history of 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. This analysis contemplated all the closed lawsuits which were filed between January 2000 and December 2013. These percentages, calculated by loss probability, were applied to the operation civil contingencies that existed on the closing date of the consolidated financial statements.

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

The estimated loss amounts of the 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.

Contingent assets are periodically assessed to ensure that the developments are appropriately reflected in the 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 year in which the estimate change occurs. If it is probable that the economic benefit will occur, the Company discloses the contingent asset.

2.13 Deferred income tax and social security

The reserve for income tax and social security 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 revenues 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 security ("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 taxes assets are recognized on all the deductible temporary differences, just when it is probable that the Company will present future taxable income enough so that these deductible temporary differences can be used.

Deferred taxes assets and liabilities are not recognized on temporary differences arising from goodwill or from the initial recognition (except for business combination) of other assets and liabilities in a transaction that does not affect the taxable income or the accounting income.

The recovery of the balance of the deferred taxes 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 taxes assets and liabilities are measured by the rates applicable in the period in which the settlement of the liability is expected or the realization of the asset, 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 measure of the deferred taxes assets and liabilities reflect the tax consequences that would result from the manner the Company expects, at the end of each year, to recover or to settle the carrying value of these assets and liabilities.

2.14 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 actuarial annual evaluation at the end of each year. The cost of the past services is immediately recognized, as the benefits had already been granted, or amortized by the straight-line method for the average period until the benefits have been acquired.

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

In case of surplus (fair value of the assets of the plan in excess of the present value of a certain defined benefit obligation), the respective asset will not be recognized because the bylaws of the plan sponsored by the Company does not consider the utilization of surplus to generate future benefits in the form of reductions in future contributions or of cash reimbursements.

(b) Other post-employment obligations

IRB Brasil RE offers post-employment medical assistance benefits to its employees. The right to these benefits usually depends on the permanence of the employee in the Company up to his/her retirement age and the elapsing of a minimum employment period. The costs expected with these benefits are accrued during the employment period using the same accounting methodology to be used in 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 acknowledged in the results of the accounting period. These obligations are evaluated by qualified independent actuaries.

2.15 Share capital

Common shares are classified in equity.

The incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of taxes.

When any company that holds shares of the Company purchases equity shares of the Company (treasury shares), the consideration 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 from the respective income tax and social contribution effects, is included in the equity to be assigned to the Company's shareholders.

2.16 Dividends

The dividend distribution proposal made by the Company's management, which is within the installment equivalent to the minimum mandatory dividend, is recorded as a liability under "Dividends payable" because it is considered as a legal obligation provided by the Company's bylaws; however, the dividend installment that is higher than the minimum mandatory dividend, declared by the management after the financial period to which the consolidated financial statements refer, but before the date in which the issue of such statements is authorized, is registered under "Proposal for distribution of additional dividends" in equity.

2.17 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 the activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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 of the activities, described as follows. IRB Brasil RE bases its estimates on historical results, taking into consideration the kind of client, transaction and specifications of each operation.

(a) Reinsurance premiums

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

In the case of optional reinsurance treaties, the issued premium is considered the amount agreed upon by the parties to ensure the reinsurance coverage, in the installment accepted by the reinsurer, for the term of the risk.

In the case of automatic reinsurance treaties, the issued premium will be considered as follows:

- Non-proportional reinsurance treaties - the issued premium is considered the amount agreed upon by the parties to ensure the reinsurance coverage, at the installment accepted by the reinsurer, for the reinsurance treaty term.

- Proportional treaties - issued premium is considered the premium amount estimated by the cedant for all the policies that will be covered by the reinsurance treaty during its effectiveness. This estimate is proportional to the reinsurer share and weighted by a performance percentage established by the reinsurer's experience. These premiums are adjusted for each installment forwarded by the cedant, usually on a three-month basis.

(b) Dividends and interest income

The receipt of dividends is recognized when the shareholder's right to receive these 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).

The interest income is recognized when it is probable that future economic benefits will flow to the Reinsurer and the income amount can be reliably measured. The interest income is recognized by the straight-line method based on the time and effective interest rate on the principal amount outstanding, being the effective interest rate 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.

2.18 Expenses with commissions

Commissions are deferred and amortized, except in the case of operations involving incurred risks, whose commissions are directly recorded in the results for the year, based on the term of the reinsurance treaty. Commissions concerning effective risks, but whose reinsurance premiums have not yet been issued, are calculated on an actuarial basis.

2.19 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 IFRS. As from 2013, the items of the comprehensive income are being presented considering whether or not they have the potential to be subsequently reclassified to the result.

2.20 New standards and interpretations to existing standards that are not yet effective

The following new standards and interpretations to existing standards were issued by the IASB but are not effective for 2013.

- IFRIC 21, "Taxes". The interpretation clarifies when an entity should recognize a liability to pay a tax in accordance with the legislation. The recognition of the obligation is applicable only after the obligating event takes place. The standard is applicable as from January 1, 2014.

- IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The standard is applicable as from January 1, 2015.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 Critical accounting estimates and judgments

Accounting policies are those 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 the issues that are inherently uncertain.

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

In elaborating the consolidated financial statements, the Reinsurer 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, reserves for adjusting assets to their realization or recovery value; revenues from premiums and corresponding commercialization expenses, related to the effective risks whose respective insurance policies have not been issued yet, as well as provisions that involve values under legal dispute. We highlight mainly 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 provisions 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 in the determination of the retirement benefits, described in item (e) below.

Changes or differences in these assumptions due to reality may impact the current estimates and judgments. These estimates and assumptions are periodically reviewed. The review of the accounting estimates are recognized in the year the estimates are being reviewed, as well as in affected future years.

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

The estimates used in the constitution of the Reinsurer's reinsurance liabilities represent the area in which the Reinsurer applies more critical accounting estimates in the preparation of the consolidated financial statements according to IFRS. There are several uncertainty sources that need to be considered in the estimate of the liabilities the Reinsurer will ultimately settle.

The Reinsurer uses all the available internal and external information sources on the past experience and indicators that may influence the decision taking of the Reinsurer's management and actuaries to define the actuarial assumptions and best estimate of the claims settlement amount for treaties whose reinsured event had already occurred. Consequently, the provided for amounts may differ from the amounts effectively settled on future dates for these obligations.

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

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

(d) Estimates used to calculate impairment of financial assets

The Reinsurer applies the recoverability analysis rules for the financial assets measured at amortized cost. In this area, the Reinsurer applies 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 orientations of IAS 39 to determine when a financial asset available for sale is impaired. This determination requires a significant judgment. For this judgment, the Reinsurer evaluates, among other factors, the duration and the proportion in which the fair value of an investment is lower than its cost, the investee's financial health and short-term business perspective, including factors such as: 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 4.9, the fair values of quoted financial instruments are based on current bid prices. For the 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 flows 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 sensibility analysis of these assumptions.

(e) Estimated and judgments in determining the 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, expected rate of returned assets, future salary increases, mortality rates and future increases of retirement and pension plans. The defined benefit obligation is highly sensible to changes in these assumptions. All the assumptions are reviewed at the end each year. In determining the adequate discount rate, management considers the interest rates with no risk. The mortality rate is based on mortality tables available in the country. Future increase in salaries and retirement and pension benefits are based on future inflation rates expected for the country. For more details on the used assumptions, see Note 26.

(f) Income tax, social contribution and other taxes

The Company is subject to income tax in all the countries it operates. It is necessary a significant judgment to determine the reserve for income tax in all of this countries.

In many operations, the final determination of the tax is uncertain. The Group also recognizes reserves due to situations in which it is probable that additional tax amounts will be owed. When the final result of these issues is different from the amounts initially estimated and recorded, these differences affect the current and deferred tax assets and liabilities in the period in which the definitive amount is determined.

4 Risk management

The risks management in IRB Brasil RE is considered an essential instrument for the optimization of the capital use and the choice of the best business opportunities, in order to obtain the best risk/return for its shareholders. The risk management of IRB Brasil RE is supervised by the Board of Directors and the Administrative Board, supported by the Risk Management Committee and other advisory or deliberative bodies. After review, which took place in December 2013, the A- (excellent) classification was confirmed by the A.M. Best rating agency headquartered in the United States, which reflects, in this agency's opinion, a capitalization strongly adequate to the Company's risk.

4.1 Main types of risk

The corporate risks management comprises the following risk categories: Underwriting, Market and Liquidity, which in their turn are comprised by many subcategories. The Company understands that these categories represent its main exposures, but they are not comprehensive because many risks may affect it. To deal with these risks, the Company uses several methodologies and strategies, such as the Balanced Scorecard (BSC), the development of a Business Continuity Management Program, the creation of a Risk Management Plan - in order to identify, analyze, measure, treat and report, focused on operating risks -, the treatment of operating incidents, the monitoring of the counterparties' credit risk and the Value at Risk (VaR) of the investments' portfolio, among others.

4.2 Underwriting risks

The underwriting risk arises from the oscillations that may arise both from internal and external factors, which contradict the Reinsurer's expectation in relation to the actuarial and financial assumptions adopted in pricing the reinsurance treaties and in the constitution of technical reserves. As a way to decrease the risk exposure, IRB Brasil RE works with a diversified reinsurance portfolio. Furthermore, the evolution of the risks is monitored, and the actuarial assumptions, underwriting and risks acceptance policies and technical reserves accompaniment are constantly reviewed.

4.2.1 Monitoring of reinsurance liabilities by business lines

The gross and net liabilities (PSL, IBNR, IBNER, PET, PPNG, PDR) by business lines are as follows:

	Reinsurance liabilities		Retrocession assets	
Group	**2013**	**2012**	**2013**	**2012**
Equity	2,713,370	2,165,225	(1,451,836)	(1,302,958)
Special risks	405,415	243,574	(309,354)	(187,207)
Responsibilities	657,922	767,850	(259,213)	(297,806)
Hulls	534,834	418,311	(465,052)	(310,549)
Vehicles	231,291	260,834	(5,356)	(4,907)
Transports	303,883	328,242	(168,898)	(164,038)
Financial risks	734,746	598,317	(417,583)	(320,168)
Credit	19,519	68,355	(14,937)	(25,593)
Staff	150,247	219,902	(36,774)	(71,877)
Housing	70,066	74,709	(995)	(230)
Rural	400,635	334,597	(99,922)	(157,406)
Maritime	99,524	86,822	(31,576)	(27,029)
Aviation	187,225	180,564	(64,948)	(103,160)
Run-off (London)	174,426	198,258		
Others	597,168	412,411	(84,030)	(13,201)
	7,280,271	6,357,971	(3,410,474)	(2,986,129)

The Company's loss development, by underwriting year, is as follows:

Gross Retrocession Losses

- **Retrocession gross**

Underwriting year	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of accumulated losses								
At the end of the underwriting year	720,059	777,939	738,882	340,142	200,595	342,520	1,107,829	
One year later	2,654,451	1,782,336	1,241,026	845,278	516,906	975,304		
Two years later	2,634,264	1,833,735	1,374,800	750,949	765,358			
Three years later	2,616,710	1,858,580	1,433,714	682,091				
Four years later	2,842,356	2,180,920	1,391,459					
Five years later	3,310,992	2,043,347						
Six years later	3,715,642							
Current estimate of the accumulated losses	3,715,642	2,043,347	1,391,459	682,091	765,358	975,304	1,107,829	10,681,030
Accumulated payments up to the base date	3,333,672	1,781,025	1,258,320	562,348	382,544	384,292	188,317	7,890,518
Liabilities recognized in the balance sheet	381,972	262,323	133,138	119,743	382,814	591,012	919,510	2,790,512
Liabilities in relation to years previous to 2007								1,744,702
IBNER								347,192
Total assets included in the balance sheet (*)								4,882,406

(*) The presented analysis does not consider the outstanding claims provision of the London branch.

- **Net retrocession**

Underwriting year	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of accumulated losses								
At the end of the underwriting year	391,819	500,531	458,107	257,280	146,828	212,493	713,804	
One year later	1,689,640	1,088,423	835,580	648,986	283,846	588,287		
Two years later	1,912,946	1,209,256	1,051,953	550,314	346,747			
Three years later	1,992,197	1,237,117	1,052,361	471,303				
Four years later	2,075,394	1,380,918	1,011,430					
Five years later	2,339,360	1,378,820						
Six years later	2,259,233							
Current estimate of the accumulates losses	2,259,233	1,378,820	1,011,430	471,303	346,747	588,287	713,804	6,769,624
Accumulated payments up to the base date	2,165,889	1,269,724	965,174	413,631	244,477	216,154	147,959	5,423,008
Liabilities recognized in balance sheet	93,344	109,096	46,256	57,672	102,270	372,133	565,845	1,346,616
Liabilities in relation to years previous to 2007								872,740
IBNER								188,539
Total assets included in the balance sheet								2,407,895

4.2.2 Sensitivity analysis

Possible impacts in the result and equity, considering a 10% (ten percent) increase in the loss ratio, are as follows:

Gross effects	Impact
Result and equity	(167,152)
Result (%)	(48.14)
Equity (%)	(6.26)

Net effects	Impact
Result and equity	(75,306)
Result (%)	(21.69)
Equity (%)	(2.82)

The liabilities development and ALM studies identified that, due to the nature of the operations accepted by IRB Brasil RE, there is no exposure to indexes of conversion, mortality or survival rates. The same studies show that part of the non-operational liabilities, linked to the post-employment benefits, are indexed to the inflation, which are covered by investments in securities with the ame indexation (NTN-B), thus there is no significant exposure to this index.

4.3 Market risk

It can be defined as the risk arising from changes in the financial market prices and rates, and that may reflect in the reduction in the value of a security or assets portfolio. The main variables linked to the market risk are: the interest rates, the 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 adequate by its Management, aiming at the management of the risks arising from those variables. For this purpose, the following techniques are used: definition of maximum limits of VaR and construction of stress scenarios; market monitoring; and preventive loss management.

4.3.1 Value at Risk analysis

The measurement of the market risk, carried out though VaR, estimates the potential loss in the profit before a certain time given an occurrence specific probability, considering the market volatilities and the diversification of the risks through the recognition of compensatory positions and correlations between product and market. The daily VaR of the Reinsurer's assets portfolio, recorded on December 31, 2013, was of R$ 9,900 million, which represents a 0.18% loss from the total assets portfolio, according to the nonparametric method - historical daily VaR, with a 5% significance level and 150-day mobile observation window .

4.3.2 Sensitivity analysis of foreign currencies

The Reinsurer is mainly exposed to the American currency, but there is also a lower exposure to Euro. The table below details the Reinsurer's sensibility to the exchange fluctuations for both currencies, considering the projection of the US dollar to December 31, 2014, presented by the Focus Report disclosed by the Central Bank on January 3, 2014 (R$ 2,34/US$ 1,00). With regard to the Euro, the same US Dollar fluctuation percentage was used, which represents the most probable scenarios:

	Probable scenario - December 31, 2014
Fluctuations in US dollar surplus	28,870
Fluctuations in Euro surplus	969

According to the scenario highlighted above, it becomes clear that the US dollar valuation would produce a positive surplus to the Company. Considering the same movement to the Euro, there would be a positive surplus. The consolidation of the surplus, in this scenario, would result in an immaterial financial gain.

4.3.3 Interest rate sensitivity analysis

The Company is exposed to the interest rate risk, since it mostly has marketable securities linked to the interest rate fluctuation.

The Reinsurer's sensibility to the 1% (100bp) fluctuation in the Selic rate is as follows:

	2013	
	Impacts +1%	**Impacts -1%**
Fluctuation in the fixed securities	(11,275)	11,416
Fluctuation in the post-fixed securities	26,896	(26,896)
Result	15,621	(15,480)

	2012	
	Impacts +1%	**Impacts -1%**
Fluctuation in the fixed securities	(12,703)	11,634
Fluctuation in the post-fixed securities	11,217	(10,086)
Result	(1,486)	1,548

Parameters:

(a) 100 basis points in the interest rates structures in force on December 31, 2013.

(b) On a conservative assumption that the real interest rate (NTN-B coupon) evolved proportionally to the Selic rate.

After analysis, the conclusion is that the awareness to the interest rate in 100bps implies a change of around - 0.39% in the value of the securities exposed for the decrease of the rate and 0.39% for the increase of the rate.

4.3.4 Management of the correlated risks

The Company considers that there is no independent movement in the economic variables, existing correlation between the main risk factors associated to the investments. Considering these variables, as well as their correlations, the conclusion is that the associated risks are partially mitigated, since the analyzed variables act in compensatory movement and may generate a maximum loss of 9% in the analyzed period. Regarding the analyzed stress scenarios, considering the big world crises in the last fifteen years, the conclusion is that the maximum loss of its portfolio would be 10.3%.

4.4 Credit risk

IRB Brasil RE understands that the main origin of its credit risk - risk that a counterparty does not comply with its contractual obligations with financial losses - are the 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 recorded ratings equal or higher than A- (S&P, Fitch and AM Best) or A3 (Moody's) and evaluates its retrocessionaires through an own classification. The Reinsurer's exposure is continuously monitored, being controlled by the counterparties' limits, which are reviewed and approved at least annually by the Security Committee. The quality of the retrocession partners of the protection treaties of IRB Brasil RE is as follows:

Rating range	% of reinsurers participating in protection treaties in force
AAA or equivalent	
AA or equivalent	44.44
A or equivalent	44.44
Local reinsurer with no rating	11.12
	100

The credit risk in funds and derivative financial instruments is limited because the counterparties are represented by banks with high credit rating 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 of the insurance and reinsurance market and of the financial market; and preventive loss management.

Exposure to credit risk

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

	2013						
		Overdue and unimpaired assets					
Breakdown of portfolio by class by accounting category	**Unvested and unimpaired assets**	**0 to 30 days**	**31 to 180 days**	**181 to 360 days**	**More than 360 days**	**Carrying amount**	**Carrying amount December 31, 2012**
Cash and cash equivalents	58,259					58,259	28,104
At fair value through profit or loss							
Public		523,478	1,126		526,913	1,051,517	1,860,236
Private	540,161					540,161	27,339
Available-for-sale							
Public			324,229	795,903	1,345,167	2,465,299	2,422,077
Abroad	4,406		3,317	2,960	38,351	49,034	157,350
Held to maturity							
Abroad		497,220	200,857	64,223	313,809	1,076,109	466,708
Premiums receivable from insurer and reinsurer	1,896,577	86,238	153,799	137,933	115,708	2,390,255	2,502,471
Total financial assets and assets of insurance and reinsurance treaties	2,499,403	1,106,936	683,328	1,001,019	2,339,948	7,630,634	7,464,285

4.5 Liquidity risk

Liquidity risk is associated to the risk that the Company, although solvent, does not have available resources to timely comply with its obligations, or only can comply with them through the sale of assets in unfavorable conditions, resulting in financial losses. To manage this risk, a model is used that combines the need for funds with the liquidity management in the short, medium and long term. This risk is continuously monitored by the follow-up of the actual and expected cash flows and by the combination of the maturities profiles of the financial assets and liabilities.

4.6 Future currency contracts

						2013	2012
	Zero to one year	One to three years	Three to five years	Five to ten years	More than ten years	Book value	Book value
Reinsurance liabilities (technical reserves)	4,117,249	1,578,395	462,897	847,967	272,069	7,280,271	6,357,972
Total PSL	2,290,546	1,014,579	358,298	700,192	171,599	4,535,214	3,733,522
PPNG RVE	698,679	377,349	3,784	11		1,079,823	892,272
PPNG RVNE	93,302	2,133				95,435	179,492
PPNG-EPI	509,984	28,101				538,085	531,527
IBNR + IBNER	509,459	137,077	100,035	146,252	101,779	994,602	985,819
PET	10,325	16,985				27,310	35,340
PDR	4,954	2,171	780	1,512	385	9,802	

As a part of the Company's investment policy, there exists provision for contracting of foreign currency exchange protection for the occurrence of asset surplus in foreign currency. At the base date December 31, 2013, the Company did not have a currency forward contract or other exchange protection instrument.

4.7 Interest rate future contracts

Fixed income

At December 31, 2013, the Company had the whole of the quotas of the Investment Fund BB Extramercado Exclusivo 22 and share in the quotas of the fund FAE2 - Renda Fixa. The funds' managers can adopt as a hedge policy the use of derivative financial instruments in order to protect the equity value in relation to unexpected changes in the interest rates. Both funds do not have operations with interest rate future contracts on the mentioned date.

4.8 Evaluation techniques and assumptions applied for determination of fair value

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

(a) The fair value of the 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. The exchange future contracts are measures based on the exchange rates and on the earning curves obtained based on quotation and for the same maturity terms of the contracts.

(c) The fair value of the other financial assets and liabilities (except for those described above) is determined according to pricing models usually accepted based on analyses of discounted cash flows.

4.9 Fair value measurements recognized in the balance sheet

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

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

(b) Level 2 fair value measurements are obtained through other variables besides 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).

		2013	2012
Financial assets at fair value through profit or loss			
Local companies' shares	Level 1	210,609	189,003
Financial Treasury Bills	Level 1	1,267	0
National Treasury Bills	Level 1	811,748	667,872
National Treasury Notes	Level 1	218,818	553,304
Committed operations	Level 1		
Foreign governments securities	Level 1	19,824	
Non-exclusive Investment Funds Quotas	Level 1	297,380	450,057
Investment Funds Quotas abroad	Level 2	32,031	27,339
		1,591,677	1,887,575
Financial assets available-for-sale			
American Depositary Receipts - ADR	Level 1	4,195	5,171
Sovereign debt securities	Level 1	112,513	108,840
National Treasury Notes	Level 1	119,597	
Financial Treasury Bills	Level 1	2,233,189	2,422,077
Fixed income securities	Level 2	30,633	29,460
U.S. Treasury securities Obligations of U.S.	Level 2	6,367	5,587
Obligations of U.S. Government corporations and agencies	Level 2	1,948	2,012
Non-U.S.Government	Level 2	175	157
Securities issued by states and territories	Level 2	0	133
Corporate securities	Level 2	5,507	5,430
Short-term investments	Level 1	210	560
		2,514,334	2,579,427
		4,106,011	4,467,002

4.10 Minimum and additional capital

The National Council of Private Insurances (CNSP), on January 30, 2013, published new regulations about the calculation of minimum capital required for authorization and operation of the local reinsurers and risk capital, consolidated in the CNSP Resolutions No. CNSP 282 and 283/2013. The main changes promoted were as follows:

1 Additional capital for risk now is called "risk capital".

2 The base capital (fixed amount of R$ 60,000) for reinsurers becomes alternative and non-supplementary to the risk capital.

3 Introduction of operational risk capital.

4 It was allowed the presentation of own model of market risk capital to SUSEP.

For the purpose of the calculation of risk capital based on the underwriting risk, the CNSP Resolution No. 280/2013 and SUSEP Circular Letter No. 414/2010, as well as the CNSP Resolution No. 228/2010 for the risk capital based on credit risk remain in force. The risk capital based on operational risk, regulated by CNSP Resolution No. 283/2013, is determined by the weighted of premiums amounts, claims and technical reserves.

On December 31, 2013, IRB Brasil RE had not submitted own model of market risk capital for SUSEP approval. For the effect of the mentioned resolutions, the following concepts are considered:

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

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

III Risk capital: variable capital amount that a local reinsurer shall maintain, at any moment, in order to be able to ensure the risks inherent to its operation, as provided in specific regulation.

IV Solvency margin: the highest between the following amounts: (a) 20% (twenty percent) of the total premiums held in the last 12 (twelve) months; and (b) 33% (thirty three percent) of the annual average of the total claims retained in the last 36 (thirty six) months.

4.10.1 Calculation of the additional capital

The calculation carried out by IRB Brasil RE, as provided in the mentioned resolutions, has not identified the need for additional capital investment. On the base date December 31, 2013, it was observed that the adjusted equity value is higher than the minimum capital amount required.

	2013	2012
Risk capital based on underwriting risk	374,162	203,105
Risk capital based on credit risk	324,721	260,332
Risk capital based on operational risk	29,802	
Total risk capital (*)	635,557	402,367
Solvency margin	294,711	292,286
Base capital	60,000	60,000
Minimum capital required	635,557	462,367
Adjusted equity (%)	2,520,623	2,404,354
Sufficiency of adjusted equity	1,885,066	1,941,987

(*) Amount obtained by weighing.

(**) Calculation of the adjusted equity:

	2013	2012
Equity	2,668,213	2,523,299
Deductions		
Prepaid expenses	(972)	(1,220)
Corporate shares	(73,591)	(71,624)
Intangible assets	(39,478)	(32,793)
Rights/obligations of branches abroad	(33,499)	(13,259)
Other deductions	(50)	(49)
Adjusted equity	2,520,623	2,404,354

5 Cash and cash equivalents

The balance of this account is as follows:

	2013	2012
Cash	12	
Local bank current account	10,985	3,110
Bank current account abroad	47,262	24,994
Adjusted equity	58,259	28,104

6 Financial investments

6.1 Breakdown of the investments

	2013							
	Fair value through profit or loss		Available-for-sale		Held to maturity			
	Securities assessed by the curve	Book value	Securities assessed by the curve	Book value	Securities assessed by the curve	Book value	Average interest rate - %	Total
Fixed-income securities - Private								
Non-exclusive Investment Funds Quotas	297,380	297,380					7.16	297,380
Fixed-income securities - Public								
Financial Treasury Bills (i)	1,267	1,267	2,233,110	2,233,189			8.20	2,234,456
National Treasury Bills	826,124	811,748						811,748
National Treasury Notes - Series B			134,638	119,597	336,789	336,789	(0.64)	456,386
National Treasury Notes	233,899	218,818						218,818
Variable income securities								
Local companies' shares	210,609	210,609					4.12	210,609
	1,569,279	1,539,822	2,367,748	2,352,786	336,789	336,789		4,229,397
Investments abroad								
Non-exclusive Investment Funds Quotas	32,031	32,031					15.37	32,031
American Deposits Receipt (ii)			14,070	4,195			(18.86)	4,195
Sovereign debt securities (ii)	20,505	19,824	119,814	112,513			14.05	132,337
Brazilian Corporate Bonds (iii)					39,889	39,889	18.13	39,889
Corporate Bonds - New York (iv)					1,687	1,354	1.16	1,354
Fixed income securities (HSBC)			31,553	30,633			(2.25)	30,633
Fixed Time Deposit Abroad (v)					698,077	698,077	15.45	698,077
Fixed Time Deposit Abroad (v)					129,963			
U.S. Treasury securities Obligations of U.S.			6,350	6,367				6,367
Obligations of U.S. Government corporations and agencies			1,951	1,948				1,948
Non-U.S.Government			174	175				175
Corporate securities			5,507	5,507				5,507
Short-term investments			210	210				210
	52,536	51,855	179,629	161,548	869,616	739,320		952,723
	1,621,815	1,591,677	2,547,377	2,514,334	1,206,405	1,076,109		5,182,120
%		31%		48%		21%		100%
Current	1,621,815	1,591,677		1,130,816		762,300		3,484,793
Non-current				1,383,518		313,809		1,697,327

	2012							
	Fair value through profit or loss		Available-for-sale		Held to maturity			
	Securities assessed by the curve	Carrying value	Securities assessed by the curve	Carrying value	Securities assessed by the curve	Carrying value	Average interest rate - %	Total
Fixed-income securities - Private								
Non-exclusive Investment Funds Quotas	449,713	450,057					9.17	450,057
Fixed-income securities - Private							8.50	
Financial Treasury Bills (i)			2,425,734	2,422,077				2,422,077
National Treasury Bills	656,975	667,872						667,872
National Treasury Notes	516,139	553,304						553,304
Variable income securities								
Local companies' shares	183,934	189,003	12,490				8.80	189,003
	1,806,760	1,860,236	2,438,224	2,422,077				4,282,313
Investments abroad								
Non-exclusive Investment Funds Quotas	27,339	27,339						27,339
American Deposits Receipt (ii)			12,273	5,171			(14.64)	5,171
Sovereign debt securities (ii)			94,200	108,840			24.17	108,840
Brazilian Corporate Bonds (iii)			31,432		45,501	45,501	13.71	45,501
Corporate Bonds - New York (iv)					1,659	1,251	19.24	1,251
Fixed income securities (HSBC)			29,437	29,460				29,460
U.S. Treasury securities Obligations of U.S.			5,493	5,587				5,587
Obligations of U.S. Government corporations and agencies			1,947	2,012				2,012
Non-U.S. Government			156	157				157
Securities issued by states and territories			133	133				133
Corporate securities			5,289	5,430				5,430
Short-term investments			560	560				560
Time Deposit Abroad (vi)					638,399	418,595	10.43	418,595
Other investments (vii)					1,361	1,361		1,361
	27,339	27,339	180,920	157,350	686,920	466,708		651,397
	1,834,099	1,887,575	2,619,144	2,579,427	686,920	466,708		4,933,710
%		38%		52%		10%		100%
Current		1,887,575		483,297		419,956		2,790,828
Non-current				2,096,130		46,752		2,142,882

(i) Financial Treasury Bills

These refer to government securities of the Brazilian National Treasury that are part of the IRB Brasil RE's portfolio. Their income is updated by the Selic rate and the securities are kept in custody in the Banco do Brasil. Additionally, 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 (ADRs)

These represent fixed income securities issued abroad, in U.S. dollars, by the Federal Government.

(iii) Brazilian Corporate Bonds

These represent fixed income securities issued by subsidiaries of Brazilian companies, headquartered abroad. These bonds, denominated in U.S. dollars, have been placed in the international market. They are being managed by BB Securities in London. In June 2011, the provision was recorded 100% of the due and unpaid 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. The Company constituted a provision for devaluation because it considers permanent the losses in their value.

(v) Time Deposit Abroad

These represent investment in time deposits whose responsibility is the Banco do Brasil S.A. and Bradesco, in New York and whose maturities vary between 12 and 120 days. These investments have as their currency of origin the pound, U.S. dollar and euro.

6.1.1 Opening of investments by type and maturity

	2013				
	No maturity	From 1 to 180 days	From 181 to 365 days	More than 365 days	Total
Fair value through profit or loss					
Fixed-income securities - Private					
Non-exclusive Investment Funds Quotas	297,380				297,380
Fixed-income securities - Private					
Financial Treasury Bills (i)		1,267			1,267
National Treasury Bills		476,099		335,649	811,748
National Treasury Notes		47,379		171,439	218,818
Variable income securities					
Local companies' shares	210,609				210,609
Investments abroad					
Non-exclusive Investment Funds Quotas				19,824	19,824
Sovereign debt securities		32,031			32,031
	507,989	556,776		526,912	1,591,677
Available-for-sale					
Fixed-income securities - Private					
Financial Treasury Bills (i)		324,229	795,903	1,113,057	2,233,189
National Treasury Notes				119,597	119,597
Investments abroad					
American Depositary Receipts (ii)	4,195				4,195
Sovereign debt securities				112,513	112,513
Fixed income securities (HSBC)		2,687	2,211	25,735	30,633
Time Deposit Abroad (v)					
Time Deposit Abroad (v)					
U.S. Treasury securities Obligations of U.S.			238	6,129	6,367
Obligations of U.S. Government corporations and agencies				1,948	1,948
Non-U.S.Government				175	175
Corporate securities		631	512	4,364	5,507
Short-term investments	210				210
	4,405	327,547	798,864	1,383,518	2,514,334
Held to maturity					
Fixed-income securities - Private					
National Treasury Notes - Series B			64,223	272,566	336,789
Investments abroad					
Brazilian Corporate Bonds (iii)				39,889	39,889
Corporate Bonds - New York *(iv)*				1,354	1,354
Fixed Time Deposit Abroad		698,077			698,077
		698,077	64,223	313,809	1,076,109

	2012			
	From 1 to 180 days	From 181 to 365 days	More than 365 days	Total
Fair value through profit or loss				
Fixed-income securities - Private				
Non-exclusive Investment Funds Quotas	450,057			450,057
Fixed-income securities - Private				
Financial Treasury Bills (i)				
National Treasury Bills	667,872			667,872
National Treasury Notes - Series B				
National Treasury Notes	553,304			553,304
Variable income securities				
Local companies' shares	189,003			189,003
Investments abroad				
Non-exclusive Investment Funds Quotas	27,339			27,339
	1,887,575			1,887,575
Available-for-sale				
Fixed-income securities - Private				
Financial Treasury Bills (i)	473,403		1,948,674	2,422,077
Investments abroad				
American Depositary Receipts (ii)	5,171			5,171
Sovereign debt securities (ii)			108,840	108,840
Fixed income securities (HSBC)	1,775	1,435	26,250	29,460
American Treasury Bills				
U.S. Treasury securities Obligations of U.S.			12,366	12,366
Obligations of U.S. Government corporations and agencies	663			663
Non-U.S. Government	157			157
Securities issued by states and territories	133			133
Short-term investments	560			560
	481,862	1,435	2,096,130	2,579,427
Held to maturity				
Investments abroad				
Brazilian Corporate Bonds (iii)			45,501	45,501
Corporate Bonds - New York (iv)			1,251	1,251
Time Deposit Abroad (v)	418,595			418,595
Other investments	1,361			1,361
	419,956		46,752	466,708

6.2 Changes in financial investments

Changes in financial investments	Fair value through profit or loss	Available for sale	Held to maturity	Total
At December 31, 2012	1,887,575	2,579,427	466,708	4,933,710
Investments	1,804,529	294,061	2,736,769	4,835,359
Redemption earnings	(169,793)	(38,132)	(4)	(207,929)
Redemption principal	(2,000,198)	(527,870)	(2,198,205)	(4,726,273)
Financial result	69,564	157,933	6,339	233,836
Fair value adjustment		(31,944)		(31,944)
Exchange variation		80,858	64,502	145,360
At December 31, 2013	1,591,677	2,514,334	1,076,109	5,182,120
At December 31, 2011	1,660,745	2,404,921	541,269	4,606,935
Investments	1,610,798	43,200	1,880,749	3,534,747
Redemption earnings	(16,527)	(26,038)	(87,629)	(130,194)
Redemption principal	(1,568,383)	(98,997)	(1,943,918)	(3,611,298)
Financial result	200,235	238,534	49,454	488,223
Fair value adjustment		9,233		9,233
Exchange variation	707	8,851	26,783	36,341
Other payments		(277)		(277)
At December 31, 2012	1,887,575	2,579,427	466,708	4,933,710

7 Credits of the reinsurance and retrocession operations

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

7.1 Breakdown

	2013	2012
Operations with insurers (7.2.1)	1,798,808	1,776,028
Operations with reinsurers (7.2.2)	495,461	608,700
Other operating credits	95,986	117,743
Reserve for impairment of trade receivables (7.4)	(134,920)	(110,457)
Current	2,255,335	2,392,014

7.2 Changes

7.2.1 Operations with insurers

Operations with insurers	Effective premium	Estimated premium	Premium RVNE	Claim	Total
At December 31, 2012	788,390	617,558	343,273	26,807	1,776,028
Premiums receivable	1,840,141				1,840,141
Receipts	(1,760,573)	(15,722)	(145,062)		(1,921,357)
Salvage, reimbursements and prepayments for settlement of claims				93,357	93,357
Exchange variation	228	8,926	239	1,246	10,639
At December 31, 2013	868,186	610,762	198,450	121,410	1,798,808
Current					1,768,527
Non-current					30,281
					1,798,808

Operations with insurers	Effective premium	Estimated premium	Premium RVNE	Claim	Total
At December 31, 2011	876,997		433,424	100,083	1,410,504
Premiums receivable	640,309	617,558	343,273		1,601,140
Receipts	(712,847)		(433,694)		(1,146,541)
Salvage, reimbursements and prepayments for settlement of claims				(69,647)	(69,647)
Exchange variation	(16,069)		270	(3,629)	(19,428)
At December 31, 2012	788,390	617,558	343,273	26,807	1,776,028
Current					1,745,806
Non-current					30,222
					1,776,028

(i) Fully provided balance (7.4)

7.2.2 Operations with reinsurers

	Effective premium	Claims	Others	Total
At December 31, 2012	507,853	100,847		608,700
Premiums receivable	130,538			130,538
Receipts	(419,838)			(419,838)
Recovery of claims		181,041		181,041
Exchange variation	(6,259)	1,279		(4,980)
At December 31, 2013	212,294	283,167		495,461
Current				495,461

7.3 Credits aging of the operations with reinsurance and retrocessions

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

Aging	Total
Falling due	854,623
Overdue up to 30 days	85,304
Overdue between 31 and 60 days	67,678
Overdue between 61 and 120 days	51,203
Overdue between 121 and 180 days	34,918
Overdue between 181 and 365 days	137,933
Overdue for more than 365 days	115,708
With no maturity (*)	1,042,888
	2,390,255

(*) Basically comprised by estimated reinsurance premium in the amount of R$ 809,212

Part of the overdue and falling due accounts receivable, in the amount of R$ 444,979, refers to operations with insurers and reinsurers with no default historical and whose payment is in negotiation stage. For the remaining balance overdue and falling due, in the amount of R$ 902,388, a reserve for impairment of trade receivables of R$ 134,920 was constituted, considering the use of own methodology by the Company, based on the segregation of business partners by origin and operations country, local or abroad, rating by fulfillment of financial obligation historical, clients with unsettled liabilities and special treatment for clients in negotiation.

7.4 Reserve for impairment of trade receivables

	2013	2012
At the beginning of the year	(110,457)	(147,375)
Reversal (constitution) of reserve at recoverable value recognized on receivables	(24,463)	36,918
At the end of the year	(134,920)	(110,457)
Current	(104,639)	(80,235)
Non-current	(30,281)	(30,222)
	(134,920)	(110,457)

8 Retrocession assets - technical reserves

SUSEP Circular letter No. 464, dated March 1, 2013, changed the reinsurance accountability, thus the amounts regarding the technical reserves of this nature suffered reclassifications and changes in their presentation. In the equity structure, the group regarding "Incurred but not enough reported losses" (IBNER) was agglutinated with the group "Outstanding losses" in assets.

8.1 Breakdown

Claims pending payment and claims incurred but not reported are as follows:

			2013
Lines group	**Claims pending payment**	**Claims incurred but not reported losses**	**Total**
Equity	1,077,139	64,939	1,142,078
Special risks	100,310	3,695	104,005
Responsibilities	186,743	19,250	205,993
Hulls	447,205	15,769	462,974
Vehicles	1,327	1,058	2,385
Transport	141,565	16,689	158,254
Financial risks	326,229	63,113	389,342
Credit	10,974	3,198	14,172
Personnel	23,972	7,723	31,695
Housing	699	290	989
Rural	44,573	34,972	79,545
Maritime	23,740	627	24,367
Aviation	31,985	2,617	34,602
Others	58,050	1,672	59,722
	2,474,511	235,612	2,710,123

			2012
Lines group	**Claims pending payment**	**Claims incurred but not reported losses**	**Total**
Equity	923,240	81,195	1,004,435
Special risks	69,609	3,292	72,901
Responsibilities	203,449	32,782	236,231
Hulls	291,605	15,934	307,539
Vehicles	1386	1,730	3,116
Transports	119,452	17,124	136,576
Financial risks	238,318	48,504	286,822
Credit	17,254	6,119	23,373
Personnel	37,274	23,744	61,018
Housing	200	25	225
Rural	24,893	4,429	29,322
Maritime	17,037	760	17,797
Aviation	72,143	146	72,289
Others	5,052	168	5,220
	2,020,912	235,952	2,256,864

8.1.1 Changes

	2013	
	Claims pending payment	**Claims incurred but not reported losses**
At December 31, 2012	2,020,912	235,952
Decrease due to remeasure or settlement with no cost	(1,526,769)	(56,987)
Increase due to remeasure or settlement with no cost	1,980,368	56,647
At December 31, 2013	2,474,511	235,612

	2012	
	Claims pending payment	**Claims incurred but not reported losses**
At December 31, 2011	1,761,963	186,805
Decrease due to remeasurement or settlement with no cost	(742,538)	(10,821)
Increase due to remeasurement or settlement with no cost	1,001,487	59,968
At December 31, 2012	2,020,912	235,952

8.2 Deferred retrocession premiums

	2013						
	Unearned premium reserve			Deferred acquisition costs			
Lines groups	**Effective**	**Estimated**	**RVNE**	**Effective**	**Estimated**	**RVNE**	**Total**
Equity	236,361	84,512	17,429	(23,386)	(8,012)	(1,983)	304,921
Special risks	176,624	34,234	11,897	(14,850)	(1,712)	(1,146)	205,047
Responsibilities	41,925	18,400	1,161	(6,548)	(3,037)	(89)	51,812
Hulls	84		748			(21)	811
Vehicles	2,636	478	75	(184)	(34)	(3)	2,968
Transports	8,839	872	1,399	(304)	(162)	(5)	10,639
Financial risks	19,140	7,715	7,506	(2,965)	(3,080)	(1,599)	26,717
Credit			695			(13)	682
Staff	684		201			(10)	875
Housing	3						3
Rural	26,543	287	29	(6,417)	(66)	(8)	20,368
Maritime	3,816	3,536	75	(38)	(180)	(1)	7,208
Aviation	17,577	11,798	1,665	(166)	(590)	(79)	30,205
Others	24,187	2,166		(1,552)	(494)		24,307
	558,419	163,998	42,880	(56,410)	(17,367)	(4,957)	686,563

	2012						
	Unearned premium reserve			Deferred acquisition costs			
Lines groups	**Effective**	**Estimated**	**RVNE**	**Effective**	**Estimated**	**RVNE**	**Total**
Equity	231,205	68,527	26,548	(12,381)	(12,893)	(3,234)	297,772
Special risks	103,722		20,470	(8,240)	(348)	(1,298)	114,306
Responsibilities	44,845	27,094	2,197	(7,161)	(5,110)	(290)	61,575
Hulls	115		2,970	(105)		14	2,994
Vehicles	1,572	393	163	(316)	(27)	5	1,790
Transports	24,742	6,483	1,131	(3,873)	(977)	(60)	27,446
Financial risks	26,614	13,298	6,939	(9,460)	(5,717)	(1,466)	30,208
Credit			2,708	(38)		(475)	2,195
Personnel	1,597		4,849			(468)	5,978
Housing		6			(2)	1	5
Rural	68,711	100,101	2,182	(18,439)	(24,405)	(64)	128,086
Maritime	7,158	3,892	87	(965)	(938)	(3)	9,231
Aviation	28,565	1,145	3,510	(1,994)	(286)	(70)	30,870
Others	9,887			(1,175)	(732)		7,980
	548,733	220,939	73,754	(64,147)	(51,435)	(7,408)	720,436

8.2.1 Changes

	2013					
	Unearned premium reserve			Deferred acquisition costs		
Lines groups	**Effective**	**Estimated**	**RVNE**	**Effective**	**Estimated**	**RVNE**
At December 31, 2012	548,733	220,938	73,756	(64,147)	(51,435)	(7,409)
Decrease due to remeasurement or settlement with no cost	(247,939)	(210,901)	(33,673)	90,806	46,072	7,920
Increase due to remeasurement or settlement with no cost	257,625	153,961	2,797	(83,069)	(12,004)	(5,468)
At December 31, 2013	558,419	163,998	42,880	(56,410)	(17,367)	(4,957)

	2012					
	Unearned premium reserve			Deferred acquisition costs		
Lines groups	**Effective**	**Estimated**	**RVNE**	**Effective**	**Estimated**	**RVNE**
At December 31, 2011	477,700		111,005	(73,484)		(11,500)
Decrease due to remeasurement or settlement with no cost	(288,070)	(46,747)	(351,976)	75,083	16,776	89,183
Increase due to remeasurement or settlement with no cost	359,103	267,685	314,727	(65,746)	(68,211)	(85,092)
At December 31, 2012	548,733	220,938	73,756	(64,147)	(51,435)	(7,409)

8.3 Other technical reserves

The reserve for technical surplus ensures the amounts for distribution of surplus due to technical surplus in the operationalization of treaties, and the reserve for related expenses constitutes coverage of the expenses related to losses.

	2013	2012
Equity	4,838	752
Special risks	301	
Responsibilities	1,409	
Hulls	1266	16
Vehicles	4	2
Financial risks	1,524	3,136
Transports	6	16
Credit	83	26
Staff	4,204	4,881
Housing	3	
Rural	10	
Aviation	140	
	13,788	8,829

9 Securities and receivables

	2013	2012
Current		
Trade receivables from malls	6,195	10,607
Taxes recoverable from brokerage commissions		6,142
Receivables from judicial agreements (**)	8,077	3,793
Dividends receivable		1,058
Receivables - health care expenses/INSS/retired	531	1,918
Prepayments to employees	357	912
Others	3,095	6,259
Total current	18,255	30,689
Non-current		
Receivables from Caixa Econômica Federal (*)	14,376	14,350
Receivables from judicial agreements (**)	11,394	19,985
Total non-current	25,770	34,335
	44,025	65,024

(*) Amount arising from the recovery of amounts unduly paid on account of suit due to demand related to the Housing Insurance of the Financial System of Housing ("Seguro Habitacional do Sistema Financeiro de Habitação - SFH"), 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

	2013	2012
Current		
Income tax and social contribution prepayments	74	320
Contributions and taxes overpaid to recover (*)	223,283	1,940
Income tax withheld at source	7,853	3,783
Taxes to offset/recover	113	
	231,323	6,043
Non-current		
Tax credits on temporary differences	360,094	384,005
	591,417	390,048

(*) The balance for 2013 comprises basically the overpayments regarding the Social Integration Program ("Programa de Integração Social - PIS") (R$ 33,568) and the Social Contribution on Revenues ("Contribuição para o Financiamento da Seguridade Social - COFINS") (R$ 189,714), arising from the operation to increase the bases, whose decision of the suit occurred on October 29, 2013, and the refund request on December 19, 2013 (Note 22.3.4). To determine and account for these amounts, the credits were considered for which there is no doubt or discussion about the composition of its calculation bases.

10.1.1 Other tax credits

The deferred income tax and social contribution bases are as follows:

	2013		2012	
	Corporate Income Tax (IRPJ)	Social Contribution on Net Income (CSLL)	Corporate Income Tax (IRPJ)	Social Contribution on Net Income (CSLL)
Non-current				
Tax credits on temporary differences				
Labor provisions (a)	388,853	388,853	463,634	463,634
Provision for devaluation of the investment (b)	183,445	183,445	161,804	161,804
Provision for impairment of trade receivables	147,676	147,676	128,504	128,504
Provision for tax and social security contingencies (d)	155,365	155,365	143,289	143,289
Market value adjustment - Securities available for sale	33,058	33,058		
Provision for labor contingencies (d)	46,987	46,987	59,744	59,744
Other reserves	54	54	3,039	3,039
Calculation bases	955,438	955,438	960,014	960,014
Rate	25%	15%	25%	15%
Tax credit on temporary differences	238,860	143,316	240,003	144,002
Reserve for loss on realization of tax credits over 10 years	(13,801)	(8,280)		
Total tax credits on temporary differences	225,059	135,036	240,003	144,002

The deferred income tax and social security tax credits arising from temporary differences are being constituted based on the 25% and 15% rates, respectively.

(a) The realization of the tax credit is based on actuarial calculation of the realization of the labor reserves, foreseen for 52 years. It constituted reserve for loss of deferred taxes on the realization of the tax credit over 10 years.

(b) The realization of the tax credit on reserve for devaluation of investment is linked to the written-off of the disposal of the financial investments Brazilian Bonds and BB Securities in the amount of R$ 36,368, being the former in default and the latter exceeds in 20 years its realization, and the financial investment in Banco Econômico depends on final decision and on the closing date of this lawsuit. .

(c) The realization of the tax credit on reserve for impairment of trade receivable is related to the administrative of judicial recovery of the credit or management decision to write-off the loss.

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

10.1.2 Estimated projection of the tax credits realization

Deferred income tax and social contribution are realized as the temporary differences on which they are calculated are reverted or fit in the tax deductibility parameters, whose realization schedule is presented below, with expectation of future positive results. The tax credit present value using the Selic rate is 10.25% and of R$ 224,291.

Year	Realization - %
2014	13
2015	13
2016	12
2017	11
2018	10
2019 to 2023	41
	100

11 Investments

11.1 Investment evaluated at cost

In May 2012, the Company acquired a 4.8% share of the capital of African Reinsurance Corporation - African Re, headquartered in Lagos, in Nigeria, in an amount of R$ 56,743.

12 Property for sale

	Land	Buildings	Shopping centers	Total
At December 31, 2011				
Cost	16,489	672	226,692	243,853
Accumulated impairment			(21,258)	(21,258)
Accumulated depreciation		(672)	(3,652)	(4,324)
At December 31, 2012				
Opening balance	16,489		201,782	218,271
Acquisitions (a)			26,939	26,939
Disposals			(101,515)	(101,515)
Impairment adjustments			21,258	21,258
Depreciations			(3,171)	(3,171)
Net book value	16,489		145,293	161,782
At December 31, 2012				
Cost	16,489	672	152,116	169,277
Accumulated depreciation		(672)	(6,823)	(7,495)
Net book value	16,489		145,293	161,782
At December 31, 2013				
Opening balance	16,489		145,293	161,782
Acquisitions (a)			11,925	11,925
Depreciations			(2,833)	(2,833)
Net book value	16,489		154,385	170,874
At December 31, 2013				
Cost	16,489	672	164,041	181,202
Accumulated depreciation		(672)	(9,656)	(10,328)
Net book value	16,489		154,385	170,874

In 2013, the Company sold the property located on Avenida Marechal Câmara, 350, 6º andar, amounting to R$ 3,108, generating a profit on the sale of R$ 3,093, recorded under gains or losses with non-current assets in the second six-month period of 2013.

(a) The breakdown of the investments in the malls, with the Company's share percentage and respective improvements made IRB in the year ended December 31, 2013, is as follows:

		Improvements	
	Investment percentage	2013	2012
On December 31, 2013			
Casa Shopping - Rio de Janeiro	20.00%		
Park Shopping - Brasília	12.00%	8,541	8,113
Esplanada - Sorocaba	15.00%	439	1,094
Praia de Belas - Porto Alegre	20.00%	3,078	1,366
Minas Shopping - Belo Horizonte	19.13%	3,430	2,959
Shopping Barra - Salvador	20.00%	1,724	8,480
Book value of the improvements in active malls		17,212	22,012
Improvements in sold malls			4,927
Park Shopping - Return of expenditures with improvements		(5,287)	
Net book value		11,925	26,939

The investments in malls are recorded at cost and the Company annually determines the cash flow value expected for these investments and constitutes reserve for losses, when applicable.

13 Property and equipment

	Land and buildings	Vehicles and machinery	Furniture, utensils and equipment	Total
At December 31, 2011				
Cost	21,474	2,899	32,898	57,271
Accumulated depreciation	(8,659)	(1,836)	(19,842)	(30,337)
Net book value	12,815	1,063	13,056	26,934
At December 31, 2012				
Opening balances	12,815	1,063	13,056	26,934
Acquisitions	117	23	9,151	9,291
Disposals		(172)	(1,050)	(1,222)
Impairment adjustment		(254)	(54)	
Depreciation	(584)	(37)	(3,108)	(3,729)
Transferred amounts		508	(508)	
Net book values	12,348	1,131	17,487	30,966
At December 31, 2012				
Cost	21,591	3,258	40,491	65,340
Accumulated impairment		(254)	(54)	(308)
Accumulated depreciation	(9,243)	(1,873)	(22,950)	(34,066)
Net book values	12,348	1,131	17,487	30,966
At December 31, 2013				
Opening balances	12,348	1,131	17,487	30,966
Acquisitions	669	349	5,577	6,595
Disposals	(15)	(30)	1	(44)
Depreciation	(604)	(165)	(4,857)	(5,626)
Exchange variation			9	
Impairment adjustments		254		254
Net book values	12,398	1,539	18,217	32,154
At December 31, 2013				
Cost	22,245	3,831	46,078	72,154
Accumulated impairment		(254)	(54)	(308)
Accumulated depreciation	(9,847)	(2,038)	(27,807)	(39,692)
Net book values	12,398	1,539	18,217	32,154

14 Intangible assets

	Software development cost
At December 31, 2011	
Cost	33,332
Accumulated amortization	(11,206)
Net book value	22,126
At December 31, 2012	
Opening balance	22,126
Acquisitions	14,263
Amortizations	(3,596)
Net book value	32,793
At December 31, 2012	
Cost	47,595
Accumulated amortization	(14,802)
Net book value	32,793
At December 31, 2013	
Opening balance	32,793
Acquisitions	10,645
Amortizations	(3,960)
Net book value	39,478
At December 31, 2013	
Cost	58,240
Accumulated amortization	(18,762)
Net book value	39,478

15 Obligations payable and provisions for post-employment benefits

15.1 Obligations payable

	2013	2012
Trade payables	5,220	11,399
Dividends	14,305	6,072
Interest on own capital	1,412	1,659
Participation in profit	17,068	16,791
Others	2,110	8,059
	40,115	43,980
Current	39,894	43,980
Non-current	221	

15.2 Provision for post-employment benefit

	2013	2012
Benefit - post- employment - Retirement (i)	157,707	160,566
Benefit - post- employment - Health Care (ii)	227,636	305,526
Benefit - post- employment - Life insurance (iii)	2,091	1,683
Benefit - post- employment - Funeral Assistance (iv)	1,832	1,293
	389,266	469,068
Current	32,259	44,339
Non-current	357,007	424,729
	389,266	469,068

(i) Post-employment benefit - Retirement

The Company pays in full benefits for complementary pension and amounts due to death of employees hired up to December 31, 1968, for improvement to complementary pension 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 benefit 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 salary. For employees hired as from June 1, 2004, spouse and children are considered as dependents. For those whose that entered the company as from October 14, 1996, IRB Brasil RE pays 50% of the plan, i.e., of the amounts of tables I and II (items 5.1.4 and 5.1.5 of section 1 of the PCAM Standards) and the employees and beneficiaries, with another installment equal to the other 50%. For those who entered the Company up to October 13, 1996, the contribution of the employee and its dependents varies from 0.25% to 2% of the amount of the items that compose the reference wage basis. The contributions are monthly discounted of its 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. The retired employees for contribution that desire to remain in the policy when retire pay the full premium. IRB fully bears with the cost of the premium of the disability 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$ 1,384.38 for simple funeral, R$ 1,630.36 for cremation and R$ 2,739.07 for funeral with cremation.

16 Reserves for taxes and contributions

	2013	2012
Current		
IRPJ	70,456	36,935
CSLL	26,034	13,315
PIS and COFINS	5,783	688
Deferred taxes		
Constitutions in the period on temporary additions (i)		16,969
	102,273	67,907
Non-current		
Deferred taxes		
Constitutions in the period on temporary additions (ii)	21,810	
	124,083	67,907

17 Debits of reinsurance and retrocession operations

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

17.1 Breakdown

	2013	2012
Operations with insurers	336,263	364,507
Operations with reinsurers	785,163	1,036,365
Reinsurance, retrocession brokers and others	32,838	34,043
Other operating debits (*)	78,523	35,079
	1,232,787	1,469,994

(*) These refer to the Company's debits arising from operations with the Funds and Consortia.

17.2 Changes

17.2.1 Operation with insurers

	Premiums	Claims	Others	Total
At December 31, 2012	45,053	318,114	1,340	364,507
Premiums and retrocession interest payable	119,438			119,438
Premiums and retrocession interest paid	33,050			33,050
Reinsurance loss payable		242,547		242,547
Reinsurance loss paid		(449,686)		(449,686)
Other payables				
Other paid			15,989	15,989
Exchange variation	5106	3,677	1,635	10,418
At December 31, 2013	202,647	114,652	18,964	336,263

	Premiums	Claims	Others	Total
At December 31, 2012	25,634	185,128	22,506	233,268
Premiums and retrocession interest payable	34,392			34,392
Premiums and retrocession interest paid	(15,116)			(15,116)
Reinsurance loss payable		315,681		315,681
Reinsurance loss paid		(181,754)		(181,754)
Other payables				
Other paid			(19,905)	(19,905)
Exchange variation	143	(941)	(1,261)	(2,059)
At December 31, 2013	45,053	318,114	1,340	364,507

17.2.2 Operation with reinsurers

	Parent Company			
	Premiums	**Losses**	**Others**	**Total**
At December 31, 2012	1,026,098	9,335	932	1,036,365
Premiums and retrocession interest payable	1,771,119			1,771,119
Premiums and retrocession interest paid	(2,012,436)			(2,012,436)
Losses payable		7,864		7,864
Other payables			5,607	5,607
Exchange variation	(18,234)	1,416	(6,538)	(23,356)
At December 31, 2013	766,547	18,615	1	785,163

	Consolidated			
	Premiums	**Losses**	**Others**	**Total**
At December 31, 2011	973,838		453	974,291
Premiums and retrocession interest payable	1,021,955			1,021,955
Premiums and retrocession interest paid	(927,372)			(927,372)
Losses payable		9,284		9,284
Other payables			479	479
Exchange variation	(42,323)	51		(42,272)
At December 31, 2012	1,026,098	9,335	932	1,036,365

18 Third-parties' deposits

The breakdown of the account balance by deposit age is as follows:

Anticipated premium collection

	2013	**2012**
Up to 30 days	12,834	22,785
From 30 to 60 days	5,622	13,312
From 61 to 90 days	3,168	8,312
From 91 to 120 days	2,995	14,063
More than 120 days	4,468	5,969
	29,087	64,441

19 Technical provisions

19.1 Provision for unearned premiums and acquisition costs

	2013						
	Unearned premium reserve			Deferred acquisition costs			
			Reinsurance			Reinsurance	
Lines groups	Effective	Estimated	RVNE	Effective	Estimated	RVNE	Total
Equity	461,452	170,083	44,666	(38,782)	(26,715)	(2,179)	608,525
Special risks	273,663	36,059	19,578	(30,055)	(6)	(2,551)	296,688
Responsibilities	62,735	29,032	1,959	(8,246)	(4,689)	(78)	80,713
Hulls	1,504		1,077	(51)		(17)	2,513
Vehicles	7,652	9,823	464	(1,599)	(3,441)	(46)	12,853
Transports	37,555	33,924	7,637	(6,447)	(12,064)	(2)	60,603
Financial risks	55,067	70,344	13,226	(12,693)	(27,722)	(2,009)	96,213
Credit			1,321			(192)	1,129
Personnel	6,057		813			(6)	6,864
Housing	20,818	20,218	94		(4,947)	(17)	36,166
Rural	106,734	185,763	1,222	(27,196)	(48,662)	(199)	217,662
Maritime	26,304	5,431	3,505	(2,339)	(431)	(231)	32,239
Aviation	48,326	21,355	7,780	(2,944)	(3,171)	(492)	70,854
Others	119,258	36,396	71,881	(16,950)	(20,264)		190,321
	1,227,125	618,428	175,223	(147,302)	(152,112)	(8,019)	1,713,343

	2012						
	Unearned premium reserve			Deferred acquisition costs			
			Reinsurance			Reinsurance	
	Effective	Estimated	RVNE	Effective	Estimated	RVNE	Total
Equity	428,085	168,394	68,505	(29,127)	(40,959)	(5,494)	589,404
Special risks	130,387	174	31,931	(6,913)	(55)	(2,602)	152,922
Responsibilities	57,685	49,562	5,428	(6,650)	(15,240)	(365)	90,420
Hulls	1,421		10,973	(53)		(115)	12,226
Vehicles	3,348	21,922	2,126	(346)	(8,479)	(520)	18,051
Transports	42,397	61,522	9,045	(4,840)	(24,348)	(957)	82,819
Financial risks	63,598	67,132	19,003	(16,846)	(26,184)	(4,632)	102,071
Credit	63		4,132	(19)		(704)	3,472
Personnel	5,403		18,960			(172)	24,191
Housing	3,671	54,372	3,085		(14,115)	(613)	46,400
Rural	128,013	196,488	7,038	(31,522)	(49,487)	(736)	249,794
Maritime	18,501	13,649	3,879	(887)	(3,385)	(259)	31,498
Aviation	44,382	2,921	12,931	(1,398)	(618)	(668)	57,550
Others	73,025	31,725	53,217	(9,106)	(6,387)		142,474
	999,979	667,861	250,253	(107,707)	(189,257)	(17,837)	1,603,292

19.1.1 Changes

	2013					
	Unearned premium reserve			Deferred acquisition costs		
			Reinsurance			Reinsurance
	Effective	Estimated	RVNE	Effective	Estimated	RVNE
At December 31, 2012	999,979	667,862	250,252	(107,707)	(189,257)	(17,837)
Decrease due to remeasurement or settlement with no cost	(344,098)	(428,498)	(156,231)	54,965	131,140	13,814
Increase due to remeasurement or settlement with no cost	571,244	379,064	81,202	(94,560)	(93,995)	(3,996)
At December 31, 2013	1,227,125	618,428	175,223	(147,302)	(152,112)	(8,019)

	2012					
	Unearned premium reserve			Deferred acquisition costs		
			Reinsurance			Reinsurance
	Effective	Estimated	RVNE	Effective	Estimated	RVNE
At December 31, 2011	921,250		331,050	(161,820)		(35,549)
Decrease due to remeasurement or settlement with no cost	(612,412)	(70,390)	(889,169)	142,003	20,107	197,920
Increase due to remeasurement or settlement with no cost	691,141	738,252	808,371	(87,890)	(209,364)	(180,208)
At December 31, 2012	999,979	667,862	250,252	(107,707)	(189,257)	(17,837)

19.2 Outstanding reserve e reserve for incurred but not reported losses

SUSEP Circular letter No. 464, dated March 1, 2013, changed the reinsurance accountability, thus the amounts regarding the technical reserves of this nature suffered reclassifications and changes in their presentation. In the equity structure, the group regarding "Incurred but not enough reported losses" (IBNER) was agglutinated with the group "Outstanding losses" in liabilities.

	2013	
	Reinsurance	
Lines groups	**Claims pending payment**	**Claims incurred but not reported losses**
Equity	1,974,446	122,825
Special risks	103,554	4,872
Responsibilities	514,968	59,137
Hulls	508,201	22,838
Vehicles	168,779	49,586
Transports	214076	29,170
Financial risks	528,805	101,499
Credit	9,614	8,651
Personnel	105,087	22,972
Housing	25,809	7,185
Rural	112,458	70,499
Maritime	62,601	4,682
Aviation	109,486	6,745
Run-off (London) (*)	93,910	80,516
Others	350,612	56,233
	4,882,406	647,410

	2012	
	Reinsurance	
Lines groups	**Claims pending payment**	**Claims incurred but not reported losses**
Equity	1,445,587	128,835
Special risks	86,164	4,488
Responsibilities	600,752	76,678
Hulls	377,865	28,168
Vehicles	191,320	51,458
Transports	207,822	37,518
Financial risks	413,026	67,750
Credit	50,025	14,818
Personnel	142,749	35,752
Housing	22,595	4,634
Rural	76,363	8,440
Maritime	52,887	2,438
Aviation	118,431	4,580
Run-off (London) (*)	83,641	114,617
Others	232,385	37,554
	4,101,612	617,728

(*) This includes the reserve for risk of environmental pollution, diseases and other injuries arising from the leakage of asbestos. These estimates comprise a higher level of uncertainty in relation to those related to the other risks, because the occurrence and development of this type of loss is more unpredictable. Accordingly, the final amounts may significantly vary, for more or less, upon their effective realization in subsequent years.

19.2.1 Changes

	2013	
	Losses outstanding	Incurred but not reported losses
At December 31, 2012	4,101,612	617,728
Decrease due to remeasure or settlement	(2,106,445)	(163,305)
Decrease due to remeasure or settlement	2,887,239	192,987
At December 31, 2013	4,882,406	647,410

	2012	
	Losses outstanding	Incurred but not reported losses
At December 31, 2011	3,746,146	580,792
Decrease due to remeasure or settlement	(1,064,901)	(50,291)
Decrease due to remeasure or settlement	1,420,367	87,227
At December 31, 2012	4,101,612	617,728

19.3 Losses under litigation

At December 31, 2013 and 2012, the section Outstanding losses includes payable balances concerning losses under litigation related, mainly, to issues involving the scope of coverage under treaties' conditions or the discrepancies between the amounts demanded by the insured parties and the evaluation of legal advisors, internal lawyers and/or technical department of the Reinsurer.

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

	2013					
Probability	Number	Total exposure value (*)	%	Outstanding claims	Retrocession	Net
Probable	1,042	368,329	44	162,065	(50,500)	111,565
Possible	826	494,107	34	167,996	(81,904)	86,092
Remote	360	216,653	10	21,665	(13,388)	8,277
	2,228	1,079,089		351,726	(145,792)	205,934

					2012	
	Number	Total exposure value (*)	%	Outstanding claims	Retrocession	Net
Probable	1,365	748,277	44	505,352	(372,908)	132,444
Possible	1,128	417,066	34	141,803	(56,109)	85,694
Remote	423	221,589	10	22,159	(7,897)	14,262
	2,916	1,386,932		669,314	(436,914)	232,400

These court claims are recorded in liabilities under Outstanding Claims gross of retrocession, and the recoverable values concerning the retrocession are classified under "Retrocession Assets - Technical Provisions", under Outstanding claims.

19.3.1 Court losses aging

Aging	Gross of retrocession	Retrocession	Net of retrocession
From 0 to 30 days	437	(297)	140
From 31 to 60 days	222	(124)	98
From 61 to 90 days	1,147	(456)	691
From 91 to 120 days	197	(39)	158
From 121 to 180 days	4,836	(2,149)	2,687
From 181 to 365 days	15,549	(7,130)	8,419
More than 365 days	329,338	(135,597)	193,741
	351,726	(145,792)	205,934

19.4 Other provisions

In 2009, the provision 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 contracts, and provision for related expenses, constituted for the coverage of the expenses related to claims.

Other reserves - Reinsurance

Lines groups	2013	2012
Equity	7,572	1,399
Special risks	302	
Responsibilities	3,104	
Hulls	1,281	52
Vehicles	73	7
Transports	35	83
Financial risks	8,229	15,469
Credit	125	40
Staff	15,326	17,209
Housing	907	1,081
Rural	16	
Maritime	1	
Aviation	141	
	37,112	35,340

20 Guarantee of technical reserves

According to National Monetary Council ("Conselho Monetário Nacional - CMN) Resolution No. 3,543, dated February 28, 2008, the Reinsurers' technical reserves, on December 31, 2013 and December 31, 2012, has the following coverage:

	2013	2012
Insurance technical reserves	7,278,577	6,356,480
(-) Retrocession assets - technical reserves	3,410,252	2,985,954
Amount to be guaranteed	3,868,325	3,370,526
Assets given as collateral:		
Exclusive investment funds quotas	1,099,073	1,146,360
Financial Treasury Bills	2,214,220	2,404,550
National Treasury Notes	456,386	
Sovereign debt securities	101,019	
Total assets	3,870,698	3,550,910

For the purpose of identifying the balance of technical reserves to be covered by these assets, it should be considered the liabilities balance under "Technical reserves - Reinsurance and Retrocessions" net of the assets balance under "Retrocession assets - technical reserves" concerning the portion of risky retrocession.

21 Related parties

The main transactions carried out by the Reinsurer with related parties are as follows:

	2013		
	Receivable	Payable	Result
With shareholding in the Reinsurer			
Premiums	297,785	3,057	954,945
Indemnities and expenses with claims	30,330	55,212	(311,933)
Commissions	71	32,508	(133,999)
Others		5,560	(13,934)
	328,186	96,337	495,079
Subsidiary IRB International Corporation	921		

	2012		
	Receivable	Payable	Result
With shareholding in the Reinsurer			
Premiums	121,365	2	908,135
Indemnities and expenses with claims	13,982	64,177	(465,624)
Commissions	20	4,384	(138,818)
Others	5,434	989	(3,062)
	140,801	69,552	300,631
Subsidiary IRB International Corporation	485	133	

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

21.1 Key management compensation

The total compensation of directors and other boards and committees of the Company, at December 31, 2013, is as follows:

	Accounts payable	Result
Short-term compensation to management	626	3,519
Post-employment benefits		185
At December 31, 2013	626	3,704
At December 31, 2012	268	3,698

The maximum, average and minimum amounts of the monthly compensation paid by the Company to its employees and managers, on December 31, 2013 and 2012 are as follows:

	Employees		Managers	
	2013	2012	2013	2012
Maximum	20,318	18,056	28,524	26,765
Minimum	1,255	4,505	26,765	25,433
Average	9,028	7,163	27,645	26,099

22 Judicial and fiscal deposits, other lawsuits and tax obligations

	2013		
	Fiscal and judicial deposits	**Other lawsuits**	**Tax obligations**
Tax			
COFINS		13,144	
PIS		2,824	
Social contribution	210,279	3,334	213,404
Income tax		50,354	
Service Tax (ISS)	852		
IPTU		2,949	
Social security			
INSS	37,436	37,436	
FGTS	1,120		
Labor and civil			
Labor lawsuits	41,495	44,096	
Civil lawsuits	18,773		
Fees		2,726	
Non-current	309,955	156,863	213,404

	2012		
	Fiscal and judicial deposits	**Other lawsuits**	**Tax obligations**
Tax			
COFINS		12,771	
PIS		2,744	
Social contribution	173,010	3,241	167,656
Income tax		48,895	
Service Tax (ISS)	840		6,930
IPTU		2,806	
Social security			
INSS	35,289	35,289	
Labor and civil			
Labor lawsuits	36,856	54,417	
Civil lawsuits	16,825		
Fees		2,731	
Non-current	262,820	162,894	174,586

The judicial and tax deposits are monetarily adjusted.

22.1 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 provided

	2013		
	Number	Value at risk	Other lawsuits and tax obligations
Tax			
Probable	2	53,303	53,303
Possible	7	383,945	232,706
	9	437,248	286,009
Social security			
Possible	11	56,938	37,436
Remote	2	17,501	
	13	74,439	37,436
Labor			
Probable	102	44,096	44,096
Possible	94	40,926	
Remote	38	8,269	
	234	93,291	44,096

	2012		
	Number	Value at risk	Other lawsuits and tax obligations
Tax			
Probable	3	58,631	58,631
Possible	10	331,837	186,412
	13	390,468	245,043
Social security			
Possible	13	55,996	35,289
Remote	3	22,737	
	16	78,733	35,289
Labor			
Probable	123	54,417	54,417
Possible	79	39,557	
Remote	46	10,759	
	248	104,733	54,417

22.2 Changes in provisions for lawsuits

	At December 31, 2012	Additions	Monetary adjustments	Disposals	At December 31,2013
Tax					
COFINS (Note 22.3.2)	12,771		309		13,080
PIS (Note 22.3.2)	2,744		190		2,934
Social Contribution (Note 22.3.5)	167,656	33,762	11,986		213,404
Social Contribution (Note 22.3.2)	3,241		46		3,287
Income tax (Note 22.3.2)	48,895		1,460		50,355
ISS (22.3.1)	6,930			(6,930)	
IPTU	2,806		143		2,949
Social security					
INSS (Note 22.3.1)	35,289		2,147		37,436
Labor and civil					
Labor suits (Note 22.3.3)	54,417	962	2,916	(14,199)	44,096
Civil					
Fees	2,731	6		(11)	2,726
	337,480	34,730	19,197	(21,140)	370,267

	At December 31, 2012	Additions	Monetary adjustments	Disposals	At December 31, 2013
Tax					
COFINS (Note 22.3.2)	12,359		412		12,771
PIS (Note 22.3.2)	2,656		88		2,744
Social Contribution (Note 22.3.5)	128,064	28,573	11,019		167,656
Social Contribution (Note 22.3.5)	3,136		105		3,241
Income tax (Note 22.3.2)	47,274		1,621		48,895
ISS (Note 22.3.1)	20,780		2,304	(16,154)	6,930
IPTU	2,384		422		2,806
Social security					
INSS (Note 22.3.1)	32,904		2,385		35,289
Labor and civil					
Labor suits (Note 22.3.3)	35,578	19,571	1,760	(2,492)	54,417
Civil					
Fees	2,277	454			2,731
	287,412	48,598	20,116	(18,646)	337,480

22.3 Tax lawsuits

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

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

The Company filed administrative proceedings in order to cancel the penalties in question, providing an amount of R$ 37,436 (R$ 35,289 at December 31, 2012) concerning the cases brought by the INSS regarding the additional 2.5% due by companies compared to financial institutions.

In relation to the court dispute regarding the INSS additional 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), composing the total amount deposited at the time corresponding to R$ 27,957. The challenged amounts concerning the INSS have been judicially deposited, amounting to R$ 37,436, updated, and the same amount reserved, according to the management's expectation of disbursement / loss.

With regard to the ISS tax enforcement and considering the important conclusions found in the aforementioned 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 as possible the loss probability. The Company has performed a reversal of the contingent liabilities of R$ 16,154. The Company's legal advisors classify as possible the loss probability on both legal claims (INSS and ISS).

22.3.2 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, in the period between October 1989 and December 1991, whose unconstitutionality 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 aforementioned requests for refund, claiming the extinction of the right to tax credits. Later, the Company appealed against the decision with the Counsel of Taxpayers obtaining, in both cases, favorable decisions in the appeal trial from the aforementioned Counsel.

In relation to the ILL administrative proceedings specifically, the Company was successful in the discussion of merits involved and, now, only the discussion regarding the adjustment of the tax credits is pending, with the Company obtaining partial victory of 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), being ratified as part of the offsets carried out. The debt amount which was not yet ratified by the Federal Revenue is R$ 19,302 (R$ 18,757 on December 31, 2012), being totally reserved.

In relation to the FINSOCIAL administrative proceedings, the Company received, in February 2007, a notification to pay the approximate amount of R$ 33,000, having filed a Writ of Mandamus, obtaining the suspension of the obligation of such tax, until a definitive decision has been made in the administrative sphere. Currently the Company awaits final trial by the High Court of Appeals for Fiscal Matters. The income tax amount currently reserved is R$ 48,895 (R$ 48,895 on December 31, 2012).

The Company's external legal advisors classify as probable loss the claim regarding FINSOCIAL, and as possible loss of the claim related to ILL.

22.3.3 Labor lawsuits

The Company is a party to labor suits filed by active, retired and dismissed employees, which aim, among other claims of equally relevance, the standardization of Career and Salary Plans, with the consequent payment of the salary differences. Company's management, after individual analysis of these suits, constituted a provision for probable loss, being considered for the effects of the labor provision those in the stages of settlement and enforcement of judgment, i.e., those that had final decisions.

The Company's external legal advisors estimate an updated mount of R$ 44,096 (R$ 54,417 at December 31, 2012) and classify the chances for loss in these lawsuits as probable. The labor suits classified as possible amount to R$ 40,926 (R$ 39,557 at December 31, 2012).

22.3.4 PIS/PASEP and COFINS

It is a suit in which the Company requests the acknowledgment of the unconstitutionality of Paragraph 1 of Article 3 of Law No. 9,718/98, pertaining to the increase of the PIS and COFINS calculation bases, involving a tax credit amount to be offset by IRB-Brasil RE of R$ 151,226, original amount, related to the period between May 2001 and May 2006 (date the lawsuit was filed). This lawsuit was distributed on June 1, 2006, originally to the 6th Federal Court/RJ.

On October 29, 2013, this lawsuit had a final decision and, on December 19, 2013, the Company filed the Authorization Request of the mentioned tax credits with the Brazilian Federal Revenue. The tax authorities presented some demands and, currently, the Company is raising the requested information and documents.

With the acknowledgment of the unconstitutionality of paragraph 1 of Article 3 of the Law No. 9,718 of November 27, 1998, PIS and COFINS should be levied only on operating income. Considering that, up to May 2009, the Company had been calculating monthly and paying to the government these contributions based on its gross revenue, including, consequently, the non-operating income, such as finance income and rental, the Company, with the formal final decision of the lawsuit, has the right to a tax credit of R$ 509,234, corresponding to the PIS and COFINS amounts overpaid from May 2001 to May 2009, when paragraph 1, of Article 3 of the Law No. 9,718/98 was extinct through the item XII of Article 79 of the Law No. 11,941 of May 28, 2009.

On December 19, 2013, the Company requested the authorization from the Federal Revenue. In 2013, the Company recognized R$ 223,007 related to the installment of PIS and COFINS calculated considering the revenue on which there are no discussions or uncertainties regarding its non-operating nature. The remaining balance of R$ 286,227 will be recorded when the discussions regarding the origin of the calculation bases - operating or non-operating - used to determine these credits were fully eliminated, therefore, with no possibility of challenges about the use of the credit.

22.3.5 Social Contribution on Net Income

With publication of the 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 tax rate increase, constituting a reserve and a judicially depositing the challenged amounts. At December 31, 2013, the amount judicially deposited updated for payment of the CSLL is R$ 213,404 (R$ 167,156 on December 31, 2012).

The lawyers defending this cause classify as probability of loss as possible.

23 Labor reserves

	2013	2012
Reserve for vacancies	8,123	7,743
Reserve for premium license	2,890	5,327
	11,013	13,070

24 Equity

24.1.1 Capital

On December 31, 2012, the capital was represented by 1,000,000 (one million) shares, being 500,000 nominative common shares and 500,000 nominative preferred shares, non-convertible into common, totally paid-up.

In July 2013, a capital increase of R$ 103,080 was carried out, increasing the capital from R$ 1,350,000 to R$ 1,453,080, upon the issuance of 40,000 (forty thousand) new common shares.

On December 31, 2013, share capital is represented by 1,035,664 (one million, thirty five thousand and six hundred and sixty four) shares, with no par value, fully paid-up, being 1,035,663 (one million, thirty five thousand and six hundred and sixty three) common shares and 1 (one) Golden Share owned by the Federal Government.

24.1.2 Treasury shares

In September 2013 , the Company acquired 4,337 (four thousand and three hundred and thirty seven) shares of its own issuance, which represent R$ 10,531, owned by the then shareholder Companhia de Seguros de São Paulo - COSESP.

24.1.3 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 only can be used to offset losses or to increase the capital.

The reinvestment reserve is constituted based on budget forecast, based on Article 54, paragraph 4 of the Company's bylaws. The balance of this reserve is limited to the Company's share capital and it is for investment projects.

24.2 Other comprehensive income

24.2.1 Carrying value adjustments

These record, according to the legislation in force, the effects resulting from the criteria of registration and evaluation of marketable securities classified in the 'Available-for-sale' category, net of their corresponding tax effects, calculated at tax rates of 25% and 15% for income tax and social contribution, respectively, as mentioned in Note 2.12.

	2013	2012
At the beginning of the corresponding year	(868)	(6,644)
Gain (loss) arising from evaluation of financial assets available for sale at fair value	(32,332)	9,237
Realization gain (loss) from the sale of financial assets available-for-sale in the year	720	(4)
Income tax and social contribution on the variation of the evaluation of the financial assets available for sale at fair value	12,645	(3,457)
At the end of the year	(19,835)	(868)

24.2.2 Foreign currency translation reserve

These record the effects of the variations of the exchange rate of operations abroad, as follows:

	2013	2012
At the beginning of the year	2,207	1,029
Exchange differences arising from the translation of the assets of operations abroad	1,981	1,178
At the end of the year	4,188	2,207

The exchange differences related to the translation of the net assets of the Company's operations abroad from their functional currencies into the Company's presentation currency (i.e., Brazilian reais) are recognized directly in equity and accumulated in this account.

24.2.3 Earnings per share - basic and diluted

According to the provisions of IAS 33, the tables below conciliate the net profit for the year with the amounts used to calculate the basic diluted result 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:

	2013	2012
Numerator		
Profit for the year	348,704	397,136
Denominator (number of shares in units)		
Weighted average of number of outstanding common shares	1,020,337	1,050,000
	341.75	378.23

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 IAS 33. Accordingly, the diluted earnings per share do not present difference in relation to the calculation of the basic earnings per share showed above.

24.2.4 Dividends and interest on capital

	2013	2012
Profit for the year	348,704	397,136
Constitution of legal reserve (5%)	(17,435)	(19,857)
Dividends calculation basis	331,269	377,279
Minimum mandatory dividend	(82,817)	(94,320)
Proposed additional dividend payable	(165,634)	(188,640)
	(248,451)	(282,960)
Percentage on net profit for the year	75%	75%
Interest on capital, net of taxes	72,104	92,143
Minimum mandatory dividend payable 2012 (R$ 2.08 per common shares and R$ 2.28 per preferred shares)		2,177
Minimum mandatory dividend payable 2013 (R$ 10.34 per common share and Golden Share)	10,713	
Proposed additional dividend 2012 (R$ 179.66 per common shares and R$ 197.62 per preferred shares)		188,640
Proposed additional dividend 2013 (R$ 159.93 per common share and Golden Share)	165,634	
Constitution of reinvestment reserve	154,922	186,462

25 Details of the statement of income

On December 31, 2013, the earned premiums, loss ratio and the commissions for the main lines are as follows:

25.1 Earned premiums - Main operation groups

	2013			2012		
	Earned premiums	Loss rate - %	Commission index - %	Earned premiums	Loss rate - %	Commission index - %
Equity	932,464	127.7	8.5	706,768	96.5	8.2
Special risks	221,547	18.3	(8.9)	138,939	(52.2)	(3.2)
Responsibilities	147,007	7.8	13.4	82,080	(1.1)	11.6
Hulls	4,191	3,255.6	(0.3)	12,985	(47.4)	(1.2)
Vehicles	25,336	79.4	21.0	21,350	283.1	15.1
Transports	138,330	41.2	20.3	71,229	167.1	21.2
Financial risks	185,168	123.8	25.6	126,219	122.7	28.3
Credit	9,067	(489.7)	4.2	7,491	314.8	25.0
Staff	144,958	25.1	0.1	146,833	68.7	
Housing	71,377	25.7	17.9	64,281	10.6	22.1
Rural	376,966	61.0	25.0	271,647	93.3	26.0
Maritime	55,818	108.4	1.4	37,819	194.7	4.7
Aviation	90,351	62.5	2.1	80,191	155.7	(0.2)
Others	215,796	110.2	17.0	80,197	174.3	12.0
	2,618,374	87.1	12.9	1,848,029	89.9	12.8

25.2 Incurred losses - Main operation groups

	2013			
	Direct claims	Salvage and reimbursements	IBNR variation	Incurred claims
Equity	(1,234,433)	37,968	6,010	(1,190,455)
Special risks	(40,123)		(383)	(40,506)
Responsibilities	(29,001)	2	17,541	(11,458)
Hulls	(143,818)	2,045	5,330	(136,443)
Vehicles	(22,221)	241	1,872	(20,108)
Transport	(96,549)	31,232	8,348	(56,969)
Financial risks	(222,396)	26,950	(33,749)	(229,195)
Credits	33,816	4,421	6,167	44,404
Personnel	(49,223)	15	12,781	(36,427)
Housing	(15,809)		(2,551)	(18,360)
Rural	(168,098)	128	(62,059)	(230,029)
Maritime	(58,315)	49	(2,245)	(60,511)
Aviation	(54,469)	148	(2,165)	(56,486)
Others	(274,253)	11,561	24,887	(237,805)
	(2,374,892)	114,760	(20,216)	(2,280,348)

	2012			
	Direct claims	Salvage and reimbursements	IBNR variation	Incurred claims
Equity	(725,431)	42,066	1,333	(682,032)
Special risks	74,061		(1,499)	72,562
Responsibilities	(9,644)	60	10,503	919
Hulls	1,564	516	4,073	6,153
Vehicles	(54,848)	5,039	(10,639)	(60,448)
Transport	(114,242)	7,823	(12,603)	(119,022)
Financial risks	(179,449)	2,702	21,926	(154,821)
Credits	(14,406)	5,651	(14,824)	(23,579)
Personnel	(87,745)		(13,161)	(100,906)
Housing	(8,028)		1,222	(6,806)
Rural	(251,104)	192	(2,599)	(253,511)
Maritime	(71,158)		(2,459)	(73,617)
Aviation	(120,915)		(3,960)	(124,875)
Others	(128,304)	13	(16,217)	(144,508)
	(1,689,649)	64,062	(38,904)	(1,664,491)

25.3 Acquisition cost

	2013	2012
Equity	(17,686)	(16,228)
Special risks	(33,495)	(17,224)
Responsibilities	(2,263)	(1,685)
Hulls	(117)	(304)
Vehicles	(554)	(195)
Transports	(5,553)	(2,594)
Financial risk	(955)	(381)
Staff	(871)	(927)
Housing	(107)	(61)
Rural	(658)	(558)
Others	(14,351)	(11,126)
Maritime	(3,821)	(1,504)
Aviation	(4,371)	(4,473)
	(84,802)	(57,260)

25.4 Result with retrocession

	2013	2012
Retrocession premium ceded	(1,195,441)	(1,173,870)
Variation of the technical reserves - retrocession ceded	(47,904)	217,213
Recovery of retrocession indemnity	1,207,928	822,269
Variation of the IBNR reserve - retrocession	(376)	52,073
Salvage and reimbursements - retrocessions	(12,421)	(9,769)
Recovery of commissions	138,939	169,541
Other revenues and expenses with retrocessions	10,190	622
	100,915	78,079

25.5 Other operating revenues and expenses

	2013	2012
Share in operating results - reinsurance and retrocession	(18,435)	(15,060)
Recovery of third-party deposits		25,718
Recovery (constitution) of Agricultural Insurance Stability Fund	(42,288)	19,854
Recovery of the Brazilian Consortium of Nuclear Risks	15,918	
Reversal (constitution) of reserve for credit risks	(24,462)	38,262
Recovery of other reinsurance revenue	4,167	14,765
Other operating revenues and expenses	(4,924)	7,200
	(70,024)	90,739

25.6 Administrative expenses

	2013	2012
Own staff	(135,500)	(144,657)
Reversal (constitution) post-employment benefits (a)	78,013	(158,369)
Third-parties services	(59,735)	(52,384)
Location and operation	(21,892)	(21,791)
Judicial expenses	(3,732)	(450)
Fines	(138)	(2,756)
Other expenses	(9,406)	(505)
	(152,390)	(380,912)

(a) In the year ended December 31, 2013, these comprise the effects of the reversal of the reserve for post-employment benefits: retirement, health care, life insurance and funeral assistance, in the amount of R$ 78,013, being on December 31, 2012 a reserve complement of R$ 158,369. The reversal occurred in the year is due to the adoption of new methodology for remeasure of the health care liabilities, aligned with the privatization process, considering the Company as a private entity.

25.7 Taxes expenses

	2013	2012
COFINS	(49,327)	(30,087)
PIS/PASEP	(8,997)	(7,101)
COFINS recovery - increase of the base (*)	103,551	
PIS recovery - increase of the base (*)	17,833	
Constitution(reversal) of tax reserves - net	(2,004)	(2,226)
SUSEP inspection fees	(2,299)	(1,836)
Others	(7,200)	(5,178)
	51,557	(46,428)

(*) Positive variation in the group concerning the recognition of part of the amounts to offset due to final decision of lawsuit regarding bases increase of PIS e COFINS (Note 22.3.4).

25.8 Finance result

	2013	2012
Finance income		
Income from financial investments	548,411	534,703
Interest income on installment of premiums	2,611	5,989
Variation in exchange gains from investments	172,784	36,341
Variation in exchange and monetary gains	267,915	192,238
Monetary adjustment of judicial deposits	18,437	24,830
Interest on tax credits (**)	101,623	
Others	1,629	9,870
	1,113,410	803,971
Finance cost		
Expenses with financial investments	(312,392)	(50,996)
Interest costs on installment on transfer of premiums	(84)	(1,658)
Variation in exchange costs from investments	(56,043)	
Exchange and monetary variations (*)	(343,841)	(208,025)
Monetary adjustment of contingent liabilities (**)	(11,986)	(11,019)
Others	(19,317)	(10,755)
	(743,663)	(282,453)
	369,747	521,518

(*) This refers mainly to the adjustment of the Judicial PSL based on the indexes provided by the effective law as well as the exchange variations of the amounts maintained in foreign currency.

(**) This refers to the Selic monetary adjustment of the credit concerning the process of increase of PIS and COFINS calculation bases (Note 22.3.4).

25.9 Equity result

	2013	2012
Direct operating income arising from property for investment	43,836	48,429
Direct operating expenses arising from property for investment	(2,847)	(3,202)
Reversal (provision) of impairment of assets	(11,570)	20,418
Equity in results of subsidiaries		
Exchange variation of branches abroad (*)	(30,457)	
Income with incorporation of Brazilian Consortium of Nuclear Risks (**)	55,565	
Other income	1,702	
Other expenses	(75)	(1,046)
	56,154	64,599

(*) This refers mainly to the exchange variation of the investments carried out in the branches abroad in Buenos Aires and London.

(**) The participants of the Brazilian Consortium of Nuclear Risks fully transferred their quotas to IRB Brasil RE on December 31, 2013. At the transfer date, the consortium had net assets amounting to R$ 55,565, represented by cash and financial investments of R$ 10,171 and R$ 63,380, respectively, net of reserves and obligations.

25.10 Gain or loss with non-current assets

	2013	2012
Gains in the sale of investment properties	3,093	56,476
Others	16	13
	3,109	56,489

25.11 Income tax and social contribution

(a) Reconciliation of income tax and social contribution

	2013		2012	
	Corporate Income Tax (IRPJ)	Social Contribution on Net Income (CSLL)	Corporate Income Tax (IRPJ)	Social Contribution on Net Income (CSLL)
Profit before provision for IRPJ/CSLL and profit sharing	612,292	612,292	510,362	510,362
Interest on own capital	(80,000)	(80,000)	(100,000)	(100,000)
Profit after interest on capital and profit sharing	532,292	532,292	410,362	410,362
Additions to profit				
Provision for labor contingencies	3,633	3,633	24,524	24,524
Provision for tax and social security contingencies	13,990	13,990	7,338	7,338
Provision for investments devaluation	12,193	12,193	6,130	6,130
Provision for impairment of trade receivables	68,033	68,033	123,003	123,003
Labor provisions	947	947	158,123	158,123
Other provisions			761	761
Negative adjustments at fair value - redemptions	5,275	5,275	19,924	19,924
Losses abroad	16,577	16,577		
Other additions	62,616	62,606	19,884	19,871
	183,264	183,254	359,687	359,674
Exclusions to profit				
Reversal of the provision for labor contingencies	(16,390)	(16,390)	(5,686)	(5,686)
Reversal for provision for tax and social security contingencies	(4,640)	(4,640)	(16,154)	(16,154)
Reversal of the provision for investment devaluation	(2,315)	(2,315)	(35,756)	(35,756)
Reversal of provision for impairment of trade receivables	(37,098)	(37,098)	(160,735)	(160,735)
Reversal of labor provision	(75,729)	(75,729)	(526)	(526)
Reversal of other provisons	(260)	(260)		
Dividends received from portfolio shares	(70)	(70)	(119)	(119)
Positive adjustment at market value	(1,786)	(1,786)	(35,580)	(35,580)
Other exclusions	(14,545)	(14,545)	(39,267)	(39,267)
	(152,833)	(152,833)	(293,823)	(293,823)
Base profit for IRPJ and CSLL	562,723	562,713	476,226	476,226
IRPJ and CSLL rates in force	25%	15%	25%	15%
IRPJ and CSLL due ate effective rate	(140,657)	(84,407)	(119,033)	(71,434)
Tax incentive (PAT - Lei Roanet)			438	
Tax incentive (maternity leave)	2,786		86	
Income tax withheld at source	87			
Expense with current IRPJ and CSLL	(137,784)	(84,407)	(118,509)	(71,432)
IRPJ and CSLL effect on temporary differences	(22,336)	(13,402)	19,718	62,377
IRPJ and CSLL effect on monetary adjustments	(3,537)	(2,122)	(3,363)	(2,017)
IRPJ and CSLL on the result for the year	(163,657)	(99,931)	(102,154)	(11,072)

(b) Change in the deferred IRPJ and CSLL accounts

	2012	Additions	Disposals	Recognized in the result	Recognized in comprehensive result	2013
Deferred assets						
Labor reserves	185,454	379	(30,291)	(29,912)		155,542
Reserve for devaluation of the investment	64,722	4,877	(926)	3,951		68,673
Reserve for impairment of trade receivables	51,402	27,213	(14,839)	12,374		63,776
Reserve for tax and social security contingencies	57,315	5,596	(1,856)	3,740		61,055
Reserve for labor contingencies	23,897	1,453	(6,556)	(5,103)		18,794
Market value adjustment Securities under negotiation		(1,396)	1,396			
Market value adjustment - Securities available-for-sale		579	12,645		13,224	-
Other reserves	1,215		(104)	(104)		1,111
Reserve for losses		(22,081)		(22,081)		(22,081)
Total deferred assets	384,005	16,620	(40,531)	(37,135)	13,224	346,870
Deferred liabilities						
Update of judicial deposits	16,152	5,658		5,658		21,810
Market value adjustment Securities under negotiation	1,396		(1,396)	(1,396)		
Market value adjustment - Securities available-for-sale	(579)		579		579	
Total deferred liabilities	16,969	5,658	(817)	4,262	579	21,810
Total net	367,036	10,962	(39,714)	(41,397)	12,645	325,060

Provisional Measure No. 627/2013

The Provisional Measure No. 627 (MP 627/2013), of 11/11/2013, amends the federal tax legislation on IRPJ, CSLL, PIS/PASEP and COFINS, for the special purpose of:

(i) revoking the Transition Tax Regime (RTT);

(ii) amending the standards related to the taxation of the profits abroad; and

(iii) ruling the tax aspects in relation to the accounting criteria and procedures determined by the Laws No. 11,638/07 and 11,941/09, which pursued to create mechanisms that would make it possible the alignment of the Brazilian accounting standards with the international.

Considering that the MP No. 627/2013 may suffer significant amends through its proposal of amendments, IRB Brasil RE will wait its conversion into Law for a conclusive analysis.

However, according to preliminary studies and in light of the effective MP 627/2013, it is not expected significant impacts in the consolidated financial statements of IRB Brasil RE.

26 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 ("Fundação de Previdência dos Servidores do Instituto de Resseguros do Brasil - PREVIRB"), which ensures to its participants and dependents benefits complementary to the basic official social security. The plans offered are of defined benefit (closed) and of variable contribution (open), being adopted the capitalization regime on the actuarial evaluations, for the retirement income. The contribution made by the Company to PREVIRB during 2013, including the pre-68 plan (benefits paid to the employees hired up to December 31, 1968) amounted to R$ 22,796 (R$ 18,263 on December 31, 2012).

The most recent actuarial evaluation of the plan's assets and of the present value of the defined benefits was carried out at December 31, 2013 by the actuary Claudio Paz, MIBA 761. The present value of the obligation of the defined benefits and of the respective cost of its current and past services were measured through the Projected Unit Credit Method.

The descriptions of the sponsored plans are as follows:

Variable contribution plans

The Company is the sponsor of Social Security Plan B (variable contribution plan) as from 2004. The plan's assets are kept separately from those of the Company in funds controlled by trustees.

The total expense incurred by the Company of R$ 3,909 (R$ 3,025 at December 31, 2012), recognized in the statement of income, refers to contributions paid by the Company at rates specified by this plan's rules.

In this actuarial evaluation made by independent actuaries, there was determined a technical surplus of R$ 11,484 (R$ 825 at December 31, 2012) in PREVIRB that, aligned with the IFRS, was not accounted for in the sponsor.

Defined benefit plans

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

The total expense incurred by the Company for plan A of R$ 730 (R$ 1,008 at December 31, 2012), recognized in the statement of income, refers to contributions paid by the Company at rates specified by this plan's rules.

The total expense incurred by the Company for plan pre-68 of R$ 18,157 (R$ 14,230 at December 31, 2012), recognized in the statement of income, refers to contributions paid by the Company at rates specified by this plan's rules.

In this actuarial evaluation for plan pre-68 made by independent actuaries, there was recorded in the sponsor a provision of R$ 157,640 (R$ 158,710 at December 31, 2012), aligned with IFRS.

In this actuarial evaluation made by independent actuaries, there was determined a technical surplus, for plan A, of R$ 266,058 (R$ 25,999 at December 31, 2012) in PREVIRB that, aligned with the IFRS, was not recorded by the sponsor.

The main actuarial assumptions used were as follows:

	Post-employment benefits plan managed by PREVIRB		Post-employment benefits plan managed by IRB	
Economic hypothesis	**2013**	**2012**	**2013**	**2012**
Discount real rate	4.00%	4.00%	4.50%	4.00%
Nominal rate of expected return of the assets	INPC + 4.00% p.a.	INPC + 4.00% p.a.	INPC + 4.50% p.a.	INPC + 4.50% 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% up to 60 years old	Not adopted	Health care plan: 1% up to 60 years old Other Plans: Not applicable	Not applicable
Factor 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	AT-2000 MALE and FEMALE	AT-2000 MALE and FEMALE	AT-2000 MALE and FEMALE	AT-2000 MALE and FEMALE
Disability entries table	MI-85	MI-85	MI-85	MI-85
Disability entries table	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS	ÁLVARO VINDAS

The amounts determined in the result for December 2013 and the amounts estimated for December 2014, regarding Plan A, which is the defined benefit plan sponsored by IRB Brasil ~~ER~~ RE with PREVIRB, are as follows:

	2014	2013
Cost of current services	378	(279)
Interest cost	104,706	117,312
Expected return on plan's assets	(127,999)	(119,624)
Expected amount of employees' contributions	(3,878)	
Expense at the end of the year	(26,793)	(2,591)

The total expense R$ 730 (R$ 1,008 on December 31, 2012), recognized in the statement of income, refers to contributions paid by the Company at rates specified by this plan's rules.

The amount recognized in the balance sheet arising from the Company's obligations related to this defined benefit plan (Plan A) is as follows:

	2013	2012
Present value of the defined benefit liabilities funded	(1,250,650)	(1,386,365)
Fair value of the plan's assets	1,516,708	1,412,364
Net assets arising from the defined benefits liabilities (*)	266,058	25,999

(*) Aligned with IFRS, these amounts of net assets were not accounted for by the sponsor.

The change in the fair value of the plan A liability in the current year is as follows:

	2013	2012
Present value of the actuarial liabilities for the year	1,386,365	1,208,930
Cost of current services	3,963	2,949
Interest cost	117,312	114,174
Actuarial loss	(175,253)	133,969
Benefits paid	(81,737)	(73,657)
Present value of the actuarial liabilities	1,250,650	1,386,365

The Resources to Ensure PREVIRB's Reserves are as follows:

	2013	2012
Cash and cash equivalents	440	340
Investments realizable		
Public securities	860,694	687,841
Private credits and deposits	407,612	551,111
Shares	102,004	97,147
Investment funds	86,793	98,714
Real estate investments	91,443	63,684
Borrowings and financings	4,698	4,702
	1,553,244	1,503,199
Investments operating liabilities		
Shares		
Borrowings and financings	(207)	(138)
Other liabilities (IOF)	(5)	(3)
	(212)	(141)
Investments contingency liabilities	(2,716)	(2,716)
Guaranteeing funds	1,550,756	1,500,682

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

	2013	2012
Opening fair value of the plan's assets	1,412,364	1,327,698
Return in investments	119,264	152,877
Employer's contributions	730	1,008
Plan participants' contributions	3,842	4,241
Benefits paid	(81,737)	(73,657)
Actuarial gain/loss	61,885	197
Closing fair value of the plan's assets	1,516,708	1,412,364

The expected return of the plan A assets on December 31, 2013 was of R$ 119,624 (R$ 152,877 on December 31, 2012).

The historical by experience are as follows:

	2013	2012	2011	2010	2009	2008
Present value of the liabilities of defined benefits	(1,250,650)	(1,386,365)	(1,208,930)	(1,109,373)	(1,101,324)	(869,357)
Fair value of the plan's assets	1,516,708	1,412,364	1,327,697	1,231,259	1,148,740	1,097,560
Surplus	266,058	25,999	118,767	121,886	47,416	228,203

The Company expects to contribute with R$ 542 with defined benefit plan A during next year.

26.1 Other benefits to employees

	2013	2012
Current		
Complementation of retirement and pensions	19,517	21,791
Health and dental assistance	12,053	18,731
Health and dental assistance - reserve for incurred but not reported events	347	3,579
Group life insurance	242	171
Funeral assistance	100	67
	32,259	44,339
Non-current		
Complementation of retirement and pensions	138,190	138,776
Health and dental assistance	215,236	283,216
Group life insurance	1,850	1,512
Funeral assistance	1,731	1,225
	357,007	424,729

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

The Company has technical provision to handle the obligations related to the aforementioned benefits, which include 328 members, at December 31, 2013 (347 at December 31, 2012), being 1 in activity, 313 retired and 14 pensioners, with an average age of 81.4 years (80.1 years at December 31, 2012).

The Company also offers the following benefits:

Health and dental assistance

This a self-management plan for active and retired employees. In the case of employees employed up to 2004, dependents may be spouses, children and parents whose income is lower than one Brazilian minimum salary. For employees hired as from that year, dependents are only the spouse and children. For this group, IRB Brasil RE pays 50% of the plan and the employees the other 50%. The employee's contribution is discounted monthly from his/her salary and varies according to the hiring date and age group.

Funeral assistance

This benefit is only available for employees hired up to October 31, 1996. The assistance is limited to R$ 1,384.38 for a simple funeral, R$ 1,630.36 for cremation and R$ 2,739.07 for funeral with cremation.

Group 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.

27 Funds, consortia and accounts administered by IRB-Brasil Resseguros S.A.

IRB-Brasil Resseguros S.A. administers the following funds and consortia, whose main accounting balances are as follows:

		(Unaudited)
	2013	2012
Agricultural Insurance Stability Fund - FESR	1,228,507	1,036,109
Brazilian Consortium of Nuclear Risks - CBRN		42,009

Agricultural Insurance Stability Fund - FESR

Created by the Decree-law No. 73 of November 21, 1966. Its objective is to ensure the stability of the rural insurance and to deliver supplementary coverage for the risks of catastrophes in these operations. The resources raised by the Fund arise from the annual collection of the profit surplus of the rural insurance, determined by the insurers and the Reinsurer, and special credit of the Government, when necessary, to cover an operating deficiency.

Brazilian Consortium of Nuclear Risks - CBRN

The Brazilian Consortium of Nuclear Risks (CBRN) was created by IRB Brasil RE supported by the provisions of the Decree- law No. 73/66, with the main purpose of reinsuring the responsibilities taken by the insurers in relation to the risks inherent to the activities with nuclear energy. Supported by the provisions of the Articles 44 and 59 of the Decree-law No. 73, dated November 21, 1966, IRB published the Resolution No. 56 of July 22, 1977, which gave rise to the CBRN.

The Complementary Law No. 126, of January 15, 2007, revoked the Articles 44 and 59 of the Decree-law No, 73/66, taking from IRB the assignment of market regulation body, transferring it to the National Council of Private Insurances - CNSP.

The National Council of Private Insurances (CNSP) issued the CNSP resolution No. 194 of 2008, which provides about the registration of eventual reinsurer specialized in nuclear risks, opening the opportunity for other reinsurers to operate in this line, giving rise to the interpretation that these risks should not be mandatorily covered by CBRN anymore. In order to comply with the provisions of the effective law, it was created an instrument to extinct obligations and transfer of responsibilities between IRB Brasil RE and the other insurers which participate in CBRN.

In this instrument, IRB Brasil RE and the other participants recognized that the continuity of the operations through CBRN was not justified; that IRB will fully take the responsibility for the coverage of reinsurance of the risks inherent to the nuclear activities that had already been taken by CBRN, therefore, exempting the other insurers from any responsibility in relation to the incurred losses, reported or not, and those that might incur, as from the date the Term was signed.

Due to the assumption fully of the responsibility in relation to the risks accepted by the consortium, the other participants authorized the transfer fully to IRB Brasil RE of their quotas in the existing balance in the CBRN Special Fund, transferring, thus, the corresponding amounts as cession of reserves, with integral settlement regarding any premium or profit sharing related to the risks undertaken by CBRN.

The main groups that suffered the impact of the incorporation of the assets and liabilities of CBRN to IRB Brasil RE were:

	2013	2012 (Unaudited)
Assets		
Current assets		
Cash and cash equivalents	10,171	7,556
Financial investments	63,380	54,971
Premiums receivable	681	6,142
Commissions receivable - RVNE		6
Total current	74,232	68,675
Non-current		
Receivables	3,038	2,500
Reserve for impairment of trade receivables	(917)	(800)
Total non-current	2,121	1,700
Total assets	76,353	70,375
Liabilities		
Current		
Technical reserves		
Deferred commercialization revenues		372
Outstanding claims provision		697
Premiums payable - RVNE		5,318
Commissions payable - RVNE		348
Others		21
Total current		6,756
Non-current		
Provision for unexpired risks		1,671
Surplus payable	20,793	20,760
Total non-current	20,793	22,431
CBRN special fund	55,560	41,188
Total liabilities	76,353	70,375

28 Subsequent events

On February 3, 2014, the Federal Revenue qualified all the PIS and COFINS credits on the increase of basis. As described in Note 22.3.4, the Company will recognize the remaining balance of R$ 286,227 when the discussions and uncertainties regarding the origin of the calculation basis - operating or non-operating -, used to determine these credits, were fully eliminated, therefore, with no possibility of challenges about the use of the credit.

* * *

Mario Di Croce
Executive Vice-president

João Carlos Barreto Pego
Accountant
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Rodrigo de Valnisio Pires Azevedo
Actuary
MIBA 1573